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Source of document: Freedom of Information Act Request
Federal Election Commission
Attn: FOIA Requester Service Center
Room 408
999 E Street, NW
Washington, DC 20463
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From: FOIA <foia@fec.gov>
Sent: Mon, Sep 11, 2017 4:49 pm
Subject: Freedom of Information Act Request No. 2017-134

VIA ELECTRONIC MAIL

Re: Freedom of Information Act Request No. 2017-134

This letter responds to your request for information from the Federal Election Commission (FEC) under the Freedom of Information Act (FOIA), which was dated and received in our office on August 23, 2017. You specifically requested the following:

Copies of the Congressional Budget Justification for the FEC for the years FY 2005 through FY 2009.

We searched our records and found the requested documents. We are releasing the documents in their entirety; therefore, your request is granted in full.

You may contact our FOIA Public Liaison, Kate Higginbotham, at (202) 694-1650 for any further assistance and to discuss any aspect of your request. Additionally, you may contact the Office of Government Information Services (OGIS) at the National Archives and Records Administration to inquire about the FOIA mediation services they offer. The contact information for OGIS is as follows:

Office of Government Information Services
National Archives and Records Administration
8601 Adelphi Road-OGIS
College Park, Maryland 20740-6001
E-mail at ogis@nara.gov
Telephone at 202-741-5770
Toll free at 1-877-684-6448
Facsimile at 202-741-5769

If you are not satisfied with the response to this request, you may administratively appeal by writing to the Chief FOIA Officer, Federal Election Commission, 999 E Street, N.W., Washington, DC 20463, or sending an e-mail to foia@fec.gov. Any such appeal should follow the guidelines set forth in the Commission's FOIA regulations at 11 C.F.R. § 4.8.

Thank you for contacting the FEC.

Sincerely,

Peter K. Han
FOIA Requester Service Center

FEDERAL ELECTION COMMISSION

**BUDGET REQUEST
CONGRESSIONAL JUSTIFICATION**

FOR FY 2005

PRESENTED TO THE CONGRESS AND OMB

PURSUANT TO GPRA AND OMB A-11

May 4, 2004

Federal Election Commission Mission

The mission of the FEC is to assure that the campaign finance process is fully disclosed and that the rules are effectively and fairly enforced, fostering the electorate's faith in the integrity of the nation's political process.

The sanctity of the political process is key to public faith in the policy decisions made by the elected and executive branches of government. Desired outcomes from the successful achievement of this mission include providing the electorate with the capability to make educated, informed decisions in the political process as to where candidates for federal office derive their financial support, and the confidence that those who disregard the Federal Election Campaign Act of 1971, (FECA) as amended, restrictions on campaign financing and/or its requirements for public disclosure will suffer real and evenhanded consequences for non-compliance.

In attaining these outcomes, the FEC strives to foster and maintain an attitude of voluntary compliance with the rules of the campaign finance process. The FEC realizes that voluntary compliance and public confidence are necessary because limited budgetary resources preclude massive efforts to enforce the FECA.

The FY 2005 budget request will enable the FEC to perform its statutory mission and meet its program goals and objectives. The FEC budget justification is structured to reflect its mission to administer and enforce the three main components of the Federal Election Campaign Act of 1971, as amended (FECA):

- The disclosure of campaign finance information
- The contribution limitations and prohibitions, and
- The public financing of Presidential elections

Formerly, the FEC had the mandated responsibility to compile information and review procedures related to the administration of federal elections. That responsibility has been transferred to the EAC, which is funded in the President's FY 2005 Budget. The OEA will be formally transferred with all existing assets to the EAC on April 1, 2004.

Programs, Objectives and Goals

To accomplish its mission, the FEC has established three core programs. For each core program, the Commission has defined objectives and goals that are achieved through several Commission line programs. The core programs are listed below, followed by the dollar amount and FTE needed to achieve the objectives and goals under the FY 2005 Budget:

- Promoting Disclosure - \$14,819,117 and 137.3 FTE
- Obtaining Compliance with FECA - \$28,435,519 and 189.5 FTE

demonstrated the benefits of pursuing more substantive cases. In 1991, there were 262 cases closed with civil penalties totaling \$534,000; in 1995, there were 229 cases closed with \$1,967,000 in civil penalties. By FY 2003, there were 377 cases closed with civil penalties and fines totaling \$2,774,603. In fact, civil penalties have exceeded the 1991 total in every subsequent year, and in each of the past three years they have exceeded \$1.4 million.

As the FEC's caseload and the complexity of the issues continued to grow, Congress, in 1995, called for a comprehensive review of the Commission by Pricewaterhouse Coopers (PwC). As a result of that review, legislation enacted in 1999 established the Administrative Fine Program within the Commission. This program enabled the Commission to streamline the enforcement of late and non-filer violations in an expedited system with a published schedule of penalties. The Commission also instituted an Alternative Dispute Resolution (ADR) program to process in more expeditious manner matters that are less "serious breaches of the law," but that are not "simple" late and non-filer issues.

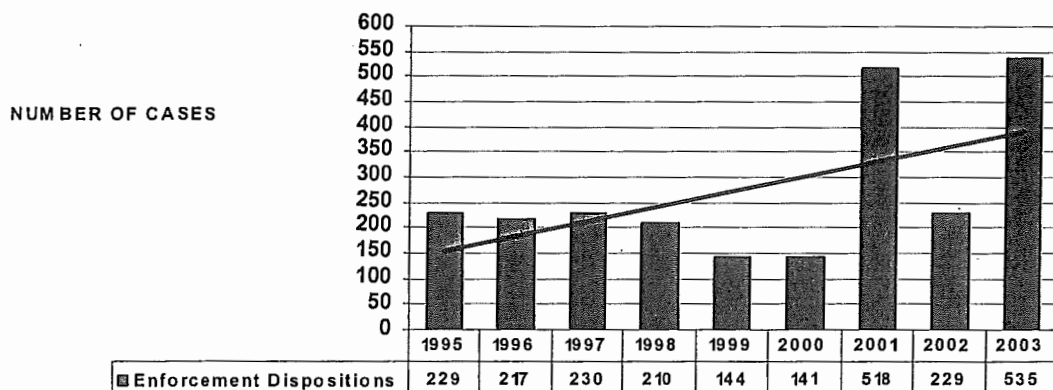
Before 2000, the FEC's enforcement program was administered entirely by the Office of General Counsel (OGC). The two new components of the Commission's enforcement efforts – the Administrative Fine Program and the ADR program – are administered by the Staff Director and are not part of the OGC. The goal of the ADR Program is to resolve matters quickly and effectively through bi-lateral negotiations. Both the ADR and Administrative Fine programs are designed to expand the FEC enforcement presence and resolve certain types of cases without resorting to the more lengthy traditional enforcement process.

Another tool that has improved the efficiency of the enforcement process is the Case Management System, which enables the Commission to measure performance with regard to the substantive resolution of cases by issue and to measure timeliness of enforcement actions. This system has provided the Commission with a mechanism to more efficiently manage its caseload and has enabled the Commission to electronically track and store data related to cases and respondents. This program enables users to readily locate information related to pending cases and cases closed since FY 1995.

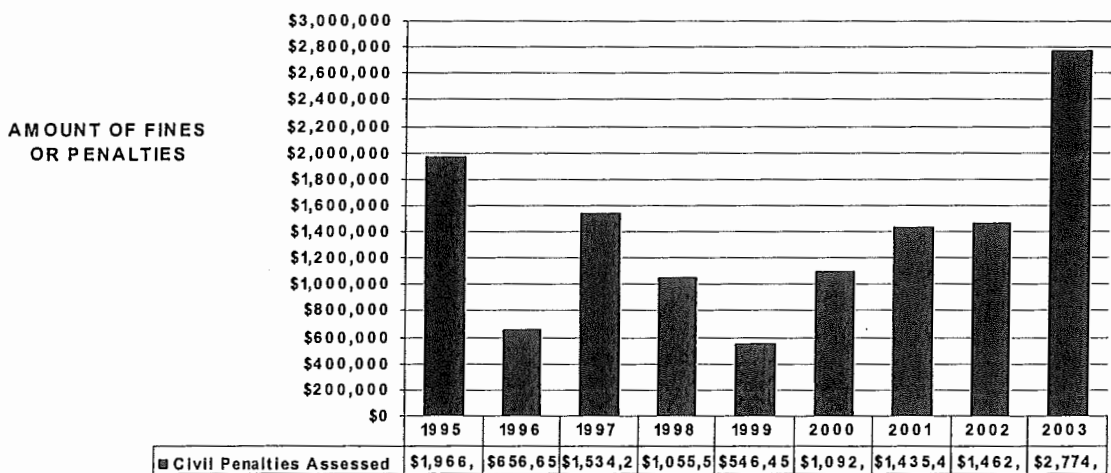
The Commission's goal in implementing the measures discussed above was to increase the effectiveness of the enforcement program by activating more cases, closing more cases with substantive action, and resolving some cases that would otherwise have been dismissed. Another goal was to speed up the closure of enforcement cases. The Commission has met its compliance goals. Today, the Commission focuses its legal resources on the more complex enforcement matters, while using administrative processes to handle less complex matters, as the following analysis illustrates.

For example, from FY 1995 through FY 2000, the FEC closed an average of 197 cases each fiscal year. In FY 2001, with the addition of the administrative fine and ADR programs, the FEC closed 518 cases, a 163% increase over the FY 1995-2000 annual average of 197 cases. In FY 2002, the FEC closed 229 cases, including enforcement, ADR and administrative fine cases. The total in FY 2003 was 535 closed cases.

**FEC ENFORCEMENT DISPOSITIONS
TOTAL CASES CLOSED
FISCAL YEARS 1995-2003**



**FEC ENFORCEMENT DISPOSITIONS
TOTAL FINES & PENALTIES ASSESSED
FISCAL YEARS 1995-2003**



Impact of Continuing the OMB Level for FY 2005

As noted, the FY 2005 budget represents minimal increases from the final enacted funding for the Commission in FY 2004. This funding is required to provide the Commission with the space and resources to house and support a full complement of staff in the peak period of the 2004 election cycle, as represented by the first part of FY 2005.

The funding level contained in this budget request will enable the Commission to:

- Continue to meet all requirements to implement and enforce the BCRA amendments
- Complete all Presidential audits within two years of the 2004 election
- Conduct 40-45 Title 2 “for cause” audits per election cycle as opposed to 20-25 in the previous election cycles
- Maintain a timely and enhanced campaign finance disclosure program
- Ensure that significant and timely efforts are made to enforce the FECA
- Maintain and enhance existing Commission educational and informational outreach programs designed to foster knowledge of the FECA and voluntary compliance with the disclosure and limitations provisions of the statute
- Continue disclosure programs that disseminate data and analytical reports to the media and private organizations for use in further analysis and more widespread disclosure of campaign finance information to the general public and the election community
- Continue the Administrative Fine and Alternative Dispute Resolution programs
- Continue and enhance the automation of the reports review process

To continue reaping the benefits of automation in our disclosure and compliance programs without adding additional staff, it is imperative that the Commission receive the requested resources in FY 2005 to implement the automated review of financial disclosure reports, to initiate the portal development project to enhance the analysis and accessibility of information, and to continue the alternative compliance programs.

FEDERAL ELECTION COMMISSION FY 2005 BUDGET REQUEST

The Federal Election Commission (FEC) submits a budget request of \$52,159,000 and 391 FTE for FY 2005, an increase of \$2,016,596 (4.02%) over the enacted FY 2004 FEC appropriation of \$50,142,404 (\$50,440,000 reduced \$297,596 by the .59% rescission.) This request represents a continuation of the FY 2004 funding level, as adjusted for inflation and salary and benefits increases, full staffing of the 391 FTE requested, and with no programmatic increases. This request level was arrived at through negotiations with OMB staff during the preparation of the FY 2005 President's Budget Request. The FEC agreed to reduce our original request by \$583,000 and reduce the expected FY 2005 COLA from 4% to 1.7% per OMB guidance.

The FEC also received \$795,280 (\$800,000 reduced \$4,720 by the .59% rescission) to fund the Office of Elections Administration (OEA) until it could be formally transferred to the new Election Assistance Commission (EAC). That transfer is projected to take place on April 1, 2004, and all remaining unobligated balances and staff and other assets will be transferred to the EAC.

The funding level contained in this budget request will enable the FEC to continue to meet all requirements for the full BCRA implementation, and:

- Complete all Presidential audits within two years of the election
- Conduct 40-45 Title 2 "for cause" audits per election cycle as opposed to 20-25 in the previous election cycles
- Maintain a timely and enhanced campaign finance disclosure program
- Ensure that significant efforts are made to enforce the disclosure provisions of the FECA
- Maintain existing Commission educational and informational outreach programs designed to foster knowledge of the FECA and voluntary compliance with the disclosure and limitations provisions of the statute
- Continue disclosure programs that disseminate data and analytical reports to the media and private organizations for use in further analysis and more widespread disclosure of campaign finance information to the general public and the election community
- Continue the Administrative Fine and Alternative Dispute Resolution programs
- Continue and enhance the automation of the reports review process
- Develop and maintain IT capabilities:

TABLE 2: SUMMARY CHANGES FROM FY 2004 TO FY 2005

FEDERAL ELECTION COMMISSION FY 2005 BUDGET				
	FY 2003 ACTUAL 30-Sep-03	FY 2004 PLANNED ENACTED	FY 2004 TO FY 2005 INCREMENT	FY 2005 BUDGET REQUEST
	362 FTE	384 FTE	384 TO 391 FTE	391 FTE
SALARIES/BENEFITS	31,966,960	35,052,300	1,589,700	36,642,000
11.10 SALARIES	25,414,961	28,041,840	1,271,760	29,313,600
12.10 BENEFITS	6,254,499	7,010,460	317,940	7,328,400
12.10 TRANSIT SUBSIDY	297,500	325,000	50,000	375,000
11.50 OVERTIME	207,642	195,000	55,000	250,000
11.82 WITNESSES	548	3,000	-	3,000
11.52 CASH AWARDS	428,413	400,000	50,000	450,000
13.01 OTHER	-	25,000	-	25,000
PERSONNEL	32,603,563	36,000,300	1,744,700	37,745,000
21.01 TRAVEL	273,154	310,324	71,176	381,500
22.01 TRANS/THGS	38,008	41,000	10,000	51,000
23.11 GSA SPACE	3,389,000	3,619,404	190,596	3,810,000
23.21 COM. SPACE	69,900	56,000	5,000	61,000
23.31 EQUIP RENT	309,826	273,500	(3,500)	270,000
23.32 TELE LOCAL	175,000	185,000	10,000	195,000
23.33 LDIST/TELEG	36,550	35,000	2,000	37,000
23.34 TELE INTCTY	29,700	35,000	5,000	40,000
23.35 POSTAGE	215,752	165,000	10,000	175,000
24.01 PRINTING	483,333	501,000	18,000	519,000
24.02 MICROFILM	26,600	28,000	1,000	29,000
25.11 TRAINING	125,556	195,000	(2,500)	192,500
25.12 ADMIN EXP	59,220	94,638	7,362	102,000
25.13 DEP/TRANSC	50,576	53,500	1,500	55,000
25.14 IT CONTRACTS	1,326,202	1,880,000	615,000	2,495,000
25.21 CONTRACTS	892,613	746,062	(158,062)	588,000
25.23 REPAIR/MAIN	2,000	2,500	500	3,000
25.24 TUITION	12,550	10,500	8,000	18,500
25.31 FED AGENCY	2,528,184	475,000	65,000	540,000
25.32 FED TRAINING	57,712	66,375	8,625	75,000
25.41 FACIL MAINT	151,768	90,000	18,000	108,000
25.71 EQUIP/MAINT	211,874	269,000	12,500	281,500
25.72 SFT/HRDWRE	3,108,154	1,125,500	646,000	1,771,500
26.01 SUPPLIES	315,192	365,000	15,500	380,500
26.02 PUBS	206,314	235,175	1,325	236,500
26.03 PUBS SERV	241,473	245,500	21,000	266,500
31.01 EQP PURCH	424,655	70,501	7,499	78,000
31.02 CAPITALIZED IT	2,038,167	2,658,625	(1,089,625)	1,569,000
31.03 NON-CAPT IT	139,275	310,000	(225,000)	85,000
NON-PERSONNEL	16,938,308	14,142,104	271,896	14,414,000
	-	-	-	-
TOTAL FEC	49,541,871	50,142,404	2,016,596	52,159,000

TABLE 4: BUDGET BY DIVISION/OFFICE

FEC BUDGET BY DIVISION/OFFICE			
DIVISION/OFFICE	FY 2003	FY 2004	FY 2005
COMMISSIONERS	2,841,706	2,963,999	2,942,849
STAFF DIRECTOR	3,644,646	4,117,159	4,473,034
SDO STAFF	149,578	1449,315	1,573,086
PLANNING AND MNGMT	246,484	259,500	267,578
PERSONNEL	632,930	980,744	1,142,908
PRESS OFFICE	575,361	559,900	644,646
EEO	155,896	129,000	152,597
ADR	323,693	361,300	363,916
OAR	290,704	377,400	328,303
ADMINISTRATION	9,328,702	7,350,270	7,863,814
AUDIT	3,612,447	3,999,400	4,194,278
INFORMATION	1,367,292	1,613,606	1,468,861
GENERAL COUNSEL	12,657,373	13,776,870	14,636,198
IT	11,339,776	11,392,300	11,191,912
PUBLIC DISCLOSURE	842,971	957,000	1,021,103
REPORTS ANALYSIS	2,911,539	3,454,300	3,810,756
IG OFFICE	417,102	517,500	556,195
TOTAL	48,963,554	50,142,404	52,159,000
OEA	578,317	-	-
FINAL TOTAL	49,541,871	50,142,404	52,159,000

FEC Staffing and Workloads

FY 2005 covers the 2004 general election peak period and most of the post-election disclosure and enforcement work. The 2000 election broke records for total financial activity in federal elections, and this record level of financial activity may continue in the 2004 election.

Despite large increases in Commission workloads because of increasing federal election-related campaign finance activity, the FEC has relied on management initiatives and information technology advancements to improve productivity to meet the increasing workloads. Total disbursements in federal elections increased by over 1,100% since 1976: from \$300 million to over \$3.7 billion in the 2000 cycle. This has translated into workload increases such as a 27% increase in documents filed since 1984 and an increase of 400% in the number of transactions entered into the database since the 1984 election cycle. The FEC has processed these record level workloads with modest staff increases.

As a result of the dramatic increase in activity, our available resources dictate that we audit and investigate a relatively small number of committees. With approximately 8,000

Within each of the core programs, the Commission has defined specific objectives. To achieve these objectives, the Commission must accomplish certain goals. To the extent that the agency succeeds in reaching these goals and objectives, it will fulfill its fundamental mission. The core and management programs are described below in terms of their objectives and related goals, and a series of tables supplement the explanation.

Overview of FEC Programs

Tables 5A and 5B provide an overview of the FEC budget by program. Table 5A shows the total dollars budgeted for each program, and Table 5B shows the personnel (FTE) for each program. The FEC management and administrative overhead costs, including information technology costs and FTE, are allocated pro rata to the three core programs and are included in Tables 5A and 5B.

TABLE 5A: FEC BUDGET--COST BY PROGRAM						
FY 2003-2005						
PROGRAM	FY 2003		FY 2004		FY 2005	
	\$	FEC %	\$	FEC %	\$	FEC %
PROMOTE DISCLOSURE	\$ 13,578,002	27%	\$ 14,602,917	29%	\$ 14,819,117	28%
OBTAIN COMPLIANCE	\$ 30,701,581	62%	\$ 29,157,056	58%	\$ 28,435,519	55%
PUBLIC FINANCING	\$ 3,878,477	8%	\$ 6,382,431	13%	\$ 8,904,364	17%
ELECTION ADMIN.	\$ 1,383,811	3%	\$ -	0%	\$ -	0%
TOTAL BUDGET	\$ 49,541,871		\$ 50,142,404		\$ 52,159,000	

TABLE 5B: FEC BUDGET--FTE BY PROGRAM						
FY 2003-2005						
PROGRAM	FY 2003		FY 2004		FY 2005	
	FTE	FEC %	FTE	FEC %	FTE	FEC %
PROMOTE DISCLOSURE	125.6	35%	136.9	36%	137.3	35%
OBTAIN COMPLIANCE	202.9	56%	201.4	52%	189.5	48%
PUBLIC FINANCING	25.9	7%	46.0	12%	64.2	16%
ELECTION ADMIN.	6.9	2%	0.0	0%	0.0	0%
TOTAL BUDGET	361.4		384.3		391.0	

Education About the Law

To ensure that the public, the media and the campaign community fully understand the federal election law, and that information about the law is readily available, the FEC will:

- Operate a toll-free line and maintain a well-informed staff to answer phone inquiries about the FEC and federal election law.
- Produce educational and information brochures and booklets to supplement the FEC Annual Reports.
- Make FEC publications available to the public through the FEC Website, an automated fax service, and the U.S. mail.
- Conduct technical workshops on the law throughout the country.
- Provide policy guidance through the timely release of Advisory Opinions.
- Review and revise FEC regulations to clarify federal election law.

Summary

The resources needed to meet the objectives and goals of the Disclosure Program in FY 2005 are summarized in Tables 6A and 6B (shown before allocation of management and administrative overhead costs.)

TABLE 6A: DISCLOSURE PROGRAM COSTS FY 2003-2005									
OFFICE/DIVISION	PERSONNEL COSTS			NON-PERSONNEL COSTS			TOTAL COSTS		
	FY 2003	FY 2004	FY 2005	FY 2003	FY 2004	FY 2005	FY 2003	FY 2004	FY 2005
PUBLIC DISCLOSURE	\$ 714,453	\$ 797,500	\$ 869,603	\$ 128,518	\$ 159,500	\$ 151,500	\$ 842,971	\$ 957,000	\$ 1,021,103
INFORMATION	\$ 990,425	\$ 1,171,606	\$ 1,112,361	\$ 376,867	\$ 442,000	\$ 356,500	\$ 1,367,292	\$ 1,613,606	\$ 1,468,861
REPORTS ANALYSIS	\$ 2,652,147	\$ 3,046,496	\$ 3,283,235	\$ 45,291	\$ 45,000	\$ 59,500	\$ 2,697,438	\$ 3,091,496	\$ 3,342,735
CODING AND ENTRY	\$ 706,995	\$ 839,729	\$ 822,536	\$ 59,770	\$ 130,000	\$ 130,000	\$ 766,765	\$ 969,729	\$ 952,536
PROGRAM TOTAL	\$ 5,064,020	\$ 5,855,331	\$ 6,087,734	\$ 610,446	\$ 776,500	\$ 697,500	\$ 5,674,466	\$ 6,631,831	\$ 6,785,234
TOTAL BUDGET PERCENT	19%	16%	16%	4%	5%	5%	11%	13%	13%

TABLE 6B: DISCLOSURE PROGRAM FTE FY 2003-2005						
OFFICE/DIVISION	FY 2003		FY 2004		FY 2005	
	FTE	DIV. %	FTE	DIV. %	FTE	DIV. %
PUBLIC DISCLOSURE	11.7	100%	13.8	100%	14.0	100%
INFORMATION	13.3	100%	13.8	100%	14.0	100%
REPORTS ANALYSIS	43.0	93%	48.7	90%	48.5	88%
CODING AND ENTRY	8.0	15%	9.0	17%	9.0	17%
PROGRAM TOTAL	76.0		85.3		85.5	
TOTAL BUDGET PERCENT	21%		22%		22%	

enforcement caseload that can be handled substantively, as well as the proportion of the caseload that is active vs. inactive. (A substantive finding is a finding based on the merits of the matter [other than dismissal], including findings of “no reason to believe the FECA has been violated.”)²

To reach the objective of enforcing the law in a timely and fair way, the Commission plans to:

- Maintain a monthly average active caseload of at least 50 percent of the total caseload.
- Close an estimated 75-100 cases. The Commission will close at least 60 percent of those cases through substantive Commission action.
- Initiate several civil actions in federal court under 2 U.S.C. 437g(a)(6) to enforce the FECA/BCRA, and defend against several actions in federal court challenging the Commission's determinations under the Administrative Fines program pursuant to 2 U.S.C.437g(a)(4)(C)(iii). (It is not possible to predict the number of such actions in either category. In recent years, the Commission has initiated a maximum of six actions under 2 U.S.C. 437g(a)(6) in any given year, and defended a maximum of eight administrative fine determinations in any given year.)..
- Maintain the Enforcement Priority System (EPS),³ a system through which the Commission identifies and assigns the more significant enforcement cases to staff, disposes of the less significant cases rapidly, and manages limited staff resources.
- Conclude some or all of the major cases involving complex legal issues⁴—including those remaining from earlier election cycles (1996, 1998 and 2000) and those stemming from the 2002 cycle.

Administrative Fine Program and ADR

Based on a legislative mandate, the FEC implemented an administrative fine program in July 2000 to reduce the OGC staff resources required to enforce timely filing of disclosure reports. The administrative fine program frees Commission resources for more complex, substantive enforcement actions.

The Commission also implemented an alternative dispute resolution (ADR) program in FY 2001. The ADR program is designed to promote compliance with the federal election law by encouraging settlements outside the traditional enforcement or litigation processes. The program aims to expedite resolution of enforcement matters and to reduce the cost of processing

² There is a significant difference between mere “dismissal” and a finding of “no reason to believe” the law has been violated. A finding of “no reason to believe” reflects affirmative Commission action based on its consideration of the merits of the particular matter. A dismissal, on the other hand, usually reflects action by the Commission based on an application of the Enforcement Priority System criteria to a particular case to determine whether the case merits the use of the Commission’s limited resources.

³ Under EPS, OGC evaluates enforcement cases based on carefully crafted, Commission-approved criteria to determine the relative significance of the allegations. EPS is a tool to match the seriousness of a particular case to the resources available to undertake an investigation of the matter.

⁴ Examples of complex legal issues include possible “soft money” abuse, claims of improper coordination or express advocacy, and alleged laundered and/or foreign contributions.

With the conclusion of the BCRA implementation and the addition of the requested staff for OGC, the Commission expects to return to a more "normal" enforcement program; enforcement activities were disrupted in FY 2002 and 2003 due to the BCRA amendments and the shifting of staff from enforcement to regulations and litigation (BCRA cases.)

The resources needed to meet the objectives and goals of the Compliance Program in FY 2005 are summarized in Tables 7A and 7B.

TABLE 7A: COMPLIANCE PROGRAM COSTS FY 2003-2005									
OFFICE/DIVISION	PERSONNEL COSTS			NON-PERSONNEL COSTS			TOTAL COSTS		
	FY 2003	FY 2004	FY 2005	FY 2003	FY 2004	FY 2005	FY 2003	FY 2004	FY 2005
REPORTS ANALYSIS	\$ 191,201	\$ 337,804	\$ 440,021	\$ 22,900	\$ 25,000	\$ 28,000	\$ 214,101	\$ 362,804	\$ 468,021
ADR	\$ 316,693	\$ 334,700	\$ 338,416	\$ 7,000	\$ 26,600	\$ 25,500	\$ 323,693	\$ 361,300	\$ 363,916
OAR	\$ 281,204	\$ 366,900	\$ 308,303	\$ 9,500	\$ 10,500	\$ 20,000	\$ 290,704	\$ 377,400	\$ 328,303
AUDIT	\$ 2,917,698	\$ 2,504,840	\$ 1,299,811	\$ 143,377	\$ 95,242	\$ 65,767	\$ 3,061,074	\$ 2,600,083	\$ 1,365,579
OGC ENFORCEMENT	\$ 5,690,121	\$ 6,731,313	\$ 7,333,905	\$ 478,437	\$ 373,721	\$ 383,138	\$ 6,168,557	\$ 7,105,034	\$ 7,717,043
OGC LITIGATION	\$ 2,451,436	\$ 2,202,601	\$ 2,534,511	\$ 206,122	\$ 122,288	\$ 132,408	\$ 2,657,557	\$ 2,324,889	\$ 2,666,919
OGC DOCUMENT INDEXING	\$ -	\$ -	\$ -	\$ 115,000	\$ 110,000	\$ 110,000	\$ 115,000	\$ 110,000	\$ 110,000
PROGRAM TOTAL	\$ 11,848,351	\$ 12,478,159	\$ 12,254,968	\$ 982,335	\$ 763,351	\$ 764,813	\$ 12,830,686	\$ 13,241,510	\$ 13,019,781
TOTAL BUDGET PERCENT	43%	35%	32%	6%	5%	5%	26%	26%	25%

TABLE 7B: COMPLIANCE PROGRAM FTE FY 2003-2005						
OFFICE/DIVISION	FY 2003		FY 2004		FY 2005	
	FTE	DIV. %	FTE	DIV. %	FTE	DIV. %
REPORTS ANALYSIS	3.1	7%	5.4	10%	6.5	12%
ADR	2.9	100%	2.9	100%	3.0	100%
OAR	2.9	100%	2.9	100%	3.0	100%
AUDIT	32.2	85%	27.5	65%	14.0	33%
OGC ENFORCEMENT	57.1	49%	65.4	52%	68.0	53%
OGC LITIGATION	24.6	21%	21.4	17%	23.5	18%
PROGRAM TOTAL	122.8		125.5		118.0	
TOTAL BUDGET PERCENT	34%		33%		30%	

Program III: Public Financing

Objectives

Under the Public Financing Program, the Commission seeks to:

- Certify timely the eligibility of Presidential candidates and committees for payments.
- Ensure timely U.S. Treasury payments to certified committees.
- Promote public trust by ensuring that all public monies are accounted for and expended in compliance with the FECA.

functions. Direct support costs for program-related items, such as travel, training, and printing, are allocated to specific Commission objectives and programs.

TABLE 9A: MANAGEMENT AND ADMINISTRATION COSTS FY 2003-2005									
OFFICE/DIVISION	PERSONNEL COSTS			NON-PERSONNEL COSTS			TOTAL COSTS		
	FY 2003	FY 2004	FY 2005	FY 2003	FY 2004	FY 2005	FY 2003	FY 2004	FY 2005
COMMISSIONERS	\$ 2,801,990	\$ 2,906,900	\$ 2,894,349	\$ 39,716	\$ 57,099	\$ 48,500	\$ 2,841,706	\$ 2,963,999	\$ 2,942,849
STAFF DIRECTOR	\$ 1,284,458	\$ 1,396,000	\$ 1,517,586	\$ 135,120	\$ 53,315	\$ 55,500	\$ 1,419,578	\$ 1,449,315	\$ 1,573,086
BUDGET/PLANNING	\$ 241,307	\$ 251,500	\$ 259,078	\$ 5,177	\$ 8,000	\$ 8,500	\$ 246,484	\$ 259,500	\$ 267,578
PERSONNEL	\$ 413,961	\$ 444,494	\$ 572,908	\$ 218,970	\$ 136,250	\$ 120,000	\$ 632,931	\$ 580,744	\$ 692,908
PRESS OFFICE	\$ 532,808	\$ 506,400	\$ 582,146	\$ 42,553	\$ 53,500	\$ 62,500	\$ 575,361	\$ 559,900	\$ 644,646
EEO OFFICE	\$ 110,877	\$ 114,000	\$ 119,597	\$ 45,018	\$ 15,000	\$ 33,000	\$ 155,895	\$ 129,000	\$ 152,597
ADMINISTRATIVE	\$ 1,708,819	\$ 1,837,300	\$ 1,927,514	\$ 7,619,883	\$ 5,512,970	\$ 5,936,300	\$ 9,328,702	\$ 7,350,270	\$ 7,863,814
IG OFFICE	\$ 403,052	\$ 426,000	\$ 440,695	\$ 14,050	\$ 91,500	\$ 115,500	\$ 417,102	\$ 517,500	\$ 556,195
OGC POLICY/ETHICS/FOIA	\$ 2,441,470	\$ 2,593,717	\$ 2,750,214	\$ 205,284	\$ 144,003	\$ 143,677	\$ 2,646,754	\$ 2,737,720	\$ 2,893,891
CASH AWARDS	\$ -	\$ 400,000	\$ 450,000	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ 450,000
TOTAL	\$ 9,938,742	\$ 10,876,311	\$ 11,514,087	\$ 8,325,771	\$ 6,071,637	\$ 6,523,477	\$ 18,264,513	\$ 16,947,948	\$ 18,037,564
TOTAL BUDGET PERCENT	36%	30%	31%	49%	43%	45%	37%	34%	35%

TABLE 9B: MANAGEMENT AND ADMINISTRATION FTE FY 2003-2005						
OFFICE/DIVISION	FY 2003		FY 2004		FY 2005	
	FTE	DV, %	FTE	DV, %	FTE	DV, %
COMMISSIONERS	21.3	100%	21.6	100%	22.0	100%
STAFF DIRECTOR	13.0	100%	14.7	100%	15.0	100%
BUDGET/PLANNING	2.0	100%	2.0	100%	2.0	100%
PERSONNEL	5.7	100%	6.9	100%	7.0	100%
PRESS OFFICE	5.3	100%	4.9	100%	5.0	100%
EEO OFFICE	1.0	100%	1.0	100%	1.0	100%
ADMINISTRATIVE	21.0	100%	20.6	100%	21.0	100%
IG OFFICE	4.0	100%	3.9	100%	4.0	100%
OGC POLICY/ETHICS/FOIA	24.5	21%	25.2	20%	25.5	20%
TOTAL	97.8		100.8		102.5	
TOTAL BUDGET PERCENT	27%		26%		26%	

Information Technology

The FY 2005 budget request includes \$11,191,912 to fund IT operations, including \$4,693,609 and 26.5 FTE, to fund IT development and upgrade projects. As discussed in the attached IT Strategic Plan, the IT funding in FY 2005 will enable the FEC to continue the migration to the new IT architecture and undertake additional initiatives to further enhance the IT systems. Costs for the IT initiatives decrease by \$791,673 from FY 2004 to FY 2005, reflecting the fact that projects have been completed and are now re-defined as on-going operations rather than developmental projects. Conversely, base IT costs increase in FY 2005 as several systems currently in development are implemented.

APPENDIX A
FEDERAL ELECTION COMMISSION
FY 2003 PERFORMANCE REPORT
PURSUANT TO THE GPRA
May 4, 2004

Submitted to Congress/OMB

Outcome: The public can make informed choices in the electoral process because of full disclosure of the sources of candidate campaign funding.

Accomplishments: FEC disclosure provided information to the public faster and in more flexible formats. In addition, the foundation has been established for future IT enhancements that will improve automated review of reports.

The FEC met the statutory deadline for placing reports on the public record within 48 hours of receipt for over 99% of all reports received. Because the Senate campaign reports are filed first at the Secretary of the Senate Office, Senate reports are not as timely as the reports for which the FEC has point of entry responsibilities. However, the FEC meets the goal of placing Senate reports on the public record within 48 hours of their availability to the FEC.

The FEC met the statutory deadline for indexing and making reports available for review within 48 hours of receipt for over 99% of reports received, by coding and entering summary information on all reports. There are two key measures for timeliness of processing reports: how many days from receipt of reports to completion of all itemized data on 95% of the reports, and the number of days to complete half of the reports, i.e. how many days required to process the median of the reports. These measures show that half of all reports are processed timely, but it takes longer to update the full database. The major, high-priority reports are processed more rapidly, but it may take longer to complete the processing of itemized data for smaller reports, particularly those filed on paper.

Mandatory electronic filing has reduced the median number of days required to process reports. For FY 2002 and 2003, performance improved to 6 median days for the 2002 election cycle reports, compared to 10 median days for the 2000 election cycle reports. The FEC met the target of completing coding and entry of itemized data within 45 days of receipt at the Commission for 95% of all documents for the 2000 election cycle, but the days required reaching 95% completion for the 2002 cycle increased to 71 days as of September 30, 2003. The time to process 2004 cycle reports has improved to 2 median days and 16 days for 95% completion.

It should be noted that the volume of work has increased dramatically: as of February 2004, there were more than one million transactions processed for the 2004 cycle, this mark was not reached until April 2000 and May 2002 for the 2000 and 2002 cycles. The FEC has processed record volumes of data each election cycle and may reach 3 million itemized transactions in the 2004 cycle. As of February of 2004, the database was averaging over 35 transactions per document filed for the 2004 cycle, which is eclipsing the records set in 2000 and 2002 for presidential and congressional election cycles.

Overall, the FEC has processed more data more efficiently, and with a dramatic improvement in the median time to process documents, and a concentration on the most

NON-FEDERAL OR SOFT MONEY TOTALS				TOTAL DISBURSEMENTS GROWTH		
ICYCLE	TOTAL \$DISB. (MILLIONS OF \$)	INCREASE PREV CYCLE	INCREASE SINCE 1992	(MILLIONS OF \$) 1976 \$310	INCREASE PREV CYCLE	INCREASE SINCE 1976
1992	\$ 165			\$ 2,051		562%
1994	\$ 214	30%	30%	\$ 1,708	-17%	451%
1996	\$ 459	114%	178%	\$ 2,738	60%	783%
1998	\$ 361	-21%	119%	\$ 2,021	-26%	552%
2000	\$ 848	135%	414%	\$ 3,756	86%	1112%
2002	\$ 874	3%	430%	\$ 3,099	-17%	900%
2004				\$ 4,000	29%	1190%

In addition, since 1984, the increase in the number of documents filed (29% compared to the 2000 cycle), the number of itemized transactions processed per cycle (400%), and the average number of itemized transactions per document (300%), highlight the increase in FEC workloads. Without mandatory electronic filing, the Commission could not have handled the increases in workloads with out large increases in staffing.

DATABASE CYCLE	DOCUMENTS FILED	INCREASE SINCE 1984	TRANSACTIONS PROCESSED	INCREASE SINCE 1984	TRANS/DOC AVERAGE	INCREASE SINCE 1984
1984	70,041		507,461		7.2	
2000	90,023	29%	2,454,413	384%	27.3	276%
2002	87,122	24%	2,422,178	377%	27.8	284%
2004	90,500	29%	3,000,000	491%	33.1	358%
2004 PROJECTED AS OF 2/29/04			2004 PROJECTED AS OF 2/29/04			

Although the median time to process documents has improved significantly (about 50% improvement from 11 or 10 days to 5 or 6 days), the volume of financial activity coupled with the need to operate a parallel manual system for the Senate and smaller committee reports creates delays in reaching the 95% completion target of 45 days.

Mandatory electronic filing has allowed the FEC to process an increasing amount of data and make it rapidly accessible to the media, the public, and the election community through the FEC website. Users easily access images of reports and data and load information electronically into their own systems to conduct research. The Enforcement Query System was added to the FEC website in December 2003 and allows users to obtain the publicly released documentation on closed enforcement cases. Use of electronic access and our website is replacing calls and visits to the FEC for information. In FY 2003 alone, the FEC website experienced 1.96 million visits and 59 million hits on different website pages.

The FEC also reviewed all high priority disclosure reports for the 2002 and 2004 election cycles within 100 days of filing by committees, ensuring that the most significant committees are reviewed first and allowing referrals for audits and enforcement actions under sections 437g and 438(b) of the FECA.

- Notified all filers of upcoming reporting periods, and provided copies of forms as a pre-reporting notice; and published the monthly FEC Record newsletter.

- Published the statutorily required Annual Report in similar fashion to current comprehensive efforts, and published the following:

- FEC Disclosure Forms
- FECA (the Act)
- FEC Regulations and updates, 11 CFR
- Campaign Guides
- Brochures on Election Processes
- Videos on Campaign Finance.

Program II: Compliance

Objective: Obtain Compliance with the FECA and Enforcement of the FECA

Outcome: The perception by the regulated community that disclosure reports must be accurately and timely filed; that there are real consequences for non-compliance with the FECA; and that the FEC will impartially and speedily enforce the FECA.

Accomplishments: The result of the FEC compliance accomplishments was the establishment of programs to speed up and streamline enforcement of the filing requirements and to negotiate and settle some enforcement cases without resorting to the full enforcement process. In addition, the Case Management System was implemented, more enforcement cases were activated, the ratio of active to inactive cases was improved, more cases were closed with substantive action, and more audits were conducted.

The FEC closed 86 enforcement cases in FY 2003, 67 with substantive action, meeting the target for 50% of cases that were substantively closed in FY 2003 (74%). Moreover, the FEC exceeded its active case ratio targets for the year with a more than 50% active case average over the course of the fiscal year.

During the peak of the 2002 election cycle, the FEC was faced with strict deadlines for implementing the Bipartisan Campaign Reform Act (BCRA) amendments to the Federal Election Campaign Act (FECA). The Commission had to meet statutory deadlines for promulgating the new regulations required to implement the new provisions of the statute. In addition, the BCRA provided for expedited review of the constitutionality of the new law, and the FEC was faced with tight court-imposed deadlines for the discovery and legal brief preparation for the court challenges to the BCRA.

FEC enforcement goals are to focus resources on more substantive cases and to improve the timeliness of cases closed. In FY 2003 there was continued evidence of

provided alternative solutions to resolving cases, usually within an expedited timeframe. As such it has met the FEC goals of improving the timeliness of enforcement and increasing the number of cases resolved with substantive Commission actions rather than dismissed.

The FEC goal was to complete 20-25 authorized committee audits and 20-25 unauthorized committee audits from the 2000 and 2002 election cycles. As of September 30, 2003, the division had completed 10 and initiated another 19 authorized committee audits under 438(b). In addition, the division had released 11 unauthorized committee audits and had pending another 7 unauthorized committee audits. All of the authorized committee audits were initiated within 6 months of the election as required by the FECA. In addition, a 437(g) audit that began in FY 2002 was closed in FY 2003. Audit maintained a stand-alone Title 2 Audit program even during the presidential election cycles. In addition, the goal of expanding the Title 2 Audits from about 20-25 per cycle to 40-45 per cycle was achieved. A total of 17 Title 2 audits were released during FY 2002, 21 more were closed in FY 2003 (38 in two years), and 27 were in process as of September 30, 2003, with 10 at the final report stage.

Program III: Public Financing

Objective: Administer Public Financing

Outcome: The public funding program is implemented so that the availability of federal funds does not become an issue in the campaign; so that qualified presidential candidates receive entitled funds expeditiously; so that public monies are correctly spent on qualified campaign expenditures and are fully accounted for; and so that the public is assured that the FECA has been impartially enforced in a timely manner.

Accomplishments: FEC public financing accomplishments in FY 2003 were to meet the two-year deadline to complete presidential audits and still maintain a "stand alone" Title 2 audit program with available audit resources. Timely completion of the certification and audit of public funds assures the public that the public financing system is properly implemented and enforced.

The FEC reviewed all matching fund requests and certified for payment within required timeframes. The FEC completed, within 2 years of the 2000 general election, audits of the 2000 election Presidential primary candidates who received federal funding. In addition, audits of 3 general election candidates and of 5 convention committees were also completed within 2 years of the general election. As of the end of FY 2003, 7 post-primary audits, 1 convention committee audit, and 3 post-general audits had been released, with none pending. With the exception of one primary committee audit that was released in May 2003, all other 2000 cycle presidential audits were publicly released by

APPENDIX B
FEDERAL ELECTION COMMISSION
IT STRATEGIC & PERFORMANCE PLANS
FY 2004-2009

PURSUANT TO GPRA AND OMB A-11

May 4, 2004

Submitted to Congress/OMB

FY 2004**Goals/Milestones****IT System Development**

Initiated development of expanded RAD automated report review (October 2003)

Initiated development of expanded budget/MIS/FTE system (October 2003)

Implemented Enforcement Query System (December 2003)

Upgrade and Maintenance Projects

Upgraded Comprizon procurement/contracting software (January 2004)

Initiated IT system security review (February 2004)

Completed a network intrusion test (March 2004)

Complete disclosure database enhancements (April 2004)

Update FEC website design (May 2004)

Complete upgrades to Enforcement Query System (May 2004)

Complete LotusNotes software upgrade (June 2004)

Complete PeopleSoft accounting system software upgrade (June 2004)

Initiate PC Docs upgrade (August 2004)

Complete development of budget/MIS/FTE system (September 2004)

Upgrade and replace obsolete server, networks and infrastructure (November 2004)

Replace and upgrade aging PCs (desktop and laptop computers) (ongoing)

Initiate analysis of Case Management System (CMS) (May 2004)

Costs

Personnel	Non-Personnel*	Total
\$2,333,282	\$3,152,000	\$5,485,282

*Includes system development, hardware, and software

FY 2005**Goals/Milestones****IT System Development**

Investigate new NARA electronic record retention requirements (October 2004)

Develop e-travel capability (November 2004)

Initiate an Intranet that supports development tools and methodology for developers and contractors (November 2004)

Complete conversion of non-disclosure systems web-based environment (FY 2006)
 Complete conversion of disclosure systems to web-based environment (FY 2006)
 Implement system development methodology tools (FY 2006)
 Continue Enterprise Architecture planning and implementation (phase two "Interactive Government") (FY 2007)
 Implement the data mining program (FY 2007)
 Complete portal development project (FY 2007)
 Continue Enterprise Architecture planning and implementation (phase three "Integrated Government") (FY 2008)
 Implement Joint Application Development (JAD) and Rapid Application Development (RAD) (FY 2009)
 Complete Enterprise Architecture planning and implementation (phase four "On Demand Government") (FY 2009)
 Upgrade IT infrastructure (network hardware and software) (FY 2009)
 Upgrade IT system architecture (FY 2009)
 Continue IT security monitoring and intrusion detection testing (ongoing)
 Conduct on going needs assessments updates for FEC offices (Ongoing)
 Replace and upgrade aging PCs (desktop and laptop computers) (Ongoing)

Costs

	Personnel	Non-Personnel*	Total
FY 2006	\$2,434,500	\$3,055,000	\$5,489,500
FY 2007	\$2,556,500	\$2,867,000	\$5,423,500
FY 2008	\$2,684,500	\$2,875,000	\$5,559,500
FY 2009	\$2,819,000	\$2,850,000	\$5,669,000

*Includes system development, hardware, and software

Base IT Budget

The base IT budget maintains and supports the IT operations of the FEC, including the electronic filing system, point of entry operations, on-going IT programs covering an extensive inventory of legacy systems for both disclosure and compliance operations, support for informational and educational outreach efforts, and support for the financial and administrative operations of the Commission. The base IT budget supports personnel costs, including travel, training, printing, supplies, maintenance, licensing, and other basic support.

APPENDIX C FEDERAL ELECTION COMMISSION FY 2005 PERFORMANCE MEASURES PURSUANT TO GPRA AND OMB A-11

FY 2005 PERFORMANCE MEASURES, GOALS AND TARGETS

The Federal Election Commission (FEC) Strategic Plan identifies performance goals by election cycle. The FY 2005 Performance Budget relates these objectives, goals, and targets to FY 2005 and requests resource levels required to achieve the FEC goals and objectives. The FEC has streamlined the performance measures for FY 2005 and reduced them to a few key indicators of Commission performance in our three major programs of Disclosure, Compliance, and Public Financing. The Office of Election Administration (OEA) was transferred to the Election Assistance Commission (EAC) in FY 2004. The EAC is included in the President's FY 2005 Budget, and therefore, the FEC does not include OEA funding in its FY 2005 Budget Request.

The FEC Strategic Plan notes the difficulty in developing measures of performance for the FEC mission. It is difficult to define and measure public faith in the political and campaign finance systems and the effect of the FEC on the public's confidence in the political process. The FEC, however, has developed a set of performance indicators to measure success in achieving improved public confidence in the political process.

If we are successful in meeting our performance targets for timely review and processing of reports, for resolving enforcement actions in a timely manner, and for informing and educating the public about campaign finance, the FEC can achieve the desired outcomes: public confidence in the FEC to fairly and effectively apply campaign finance rules and to promote disclosure and enabling the electorate to make informed election choices. We seek to promote voluntary compliance with the Federal Election Campaign Act of 1971, as amended, (FECA).

PERFORMANCE LEVELS AND FUNDING/FTE

The FEC has requested a continuing resources (Current Services) FY 2005 budget of 391 FTE and \$52,159,000. The request represents a continuation of funding from FY 2004, enacted at \$50,142,404 and 391 FTE, as adjusted to cover inflation and COLAs. OMB and the FEC are in agreement with this request for FY 2005, and it is contained in the President's FY 2005 budget submitted to Congress.

Any funding level below the Current Services level will not provide the necessary resources to implement the BCRA amendments to the FECA, to continue the alternative dispute resolution program (ADR), to continue the stand-alone Title 2 audit program, or to continue the congressionally mandated administrative fine program. The OMB-approved level will support these programs and would enable the Commission to meet its mission responsibilities and achieve its objectives by supporting core programs.

- Respond to 100% of all press inquiries within 72 hours, and comply with statutory deadlines for 95% of all FOIA requests received; estimated 8,000 and 40 in FY 2005 (Press Office)
- Respond to 100% of requests for general information on FEC and FECA within 72 hours, 14 days for written requests, estimated at 30,000 calls and requests, including 4,000 requests for forms and publications in FY 2005 (Information)
- Enable Commission to meet statutory deadlines for issuance or conclude action on Advisory Opinions for 95% of all 60 and 20 day deadlines, estimated 30 in FY 2005, and meet 45-60 day target for AO reconsiderations, 15 days for deficient request notices (OGC)
- Maintain targets for completion of all rule-making petitions filed pursuant to 11 CFR Part 200, complete revisions to sections of Regulations in FY 2005 (OGC)
- Respond to all requests for legal assistance from FOIA Officer, and for all FOIA appeals, 95% within statutory deadlines, estimated 40 requests in FY 2005 (OGC)

Program II: Compliance

Objective: Obtain Compliance and Enforcement

The desired outcomes are the perception by the regulated community that disclosure reports must be accurately and timely filed and of the impartial and timely enforcement of the FECA.

Current Services Performance Level (OMB level of 391 FTE)

- Refer a total of 75 committees for potential 438(b) audits from the 2004 election cycle in FY 2005-2006, 50 in FY 2005 and the last 25 referrals in FY 2006 (RAD)
- Refer a total of 20 committees for potential enforcement actions in FY 2005; complete all enforcement referrals within the second FY of the election cycle (all of 2004 cycle by close of FY 2005) (RAD)
- Complete the expanded number of 438(b) audits: 10-15 authorized committee audits and 10-15 unauthorized committee audits in FY 2005; initiate an estimated 45-50 total audits for the 2004 cycle; initiate all authorized committee audits within six months of the election (RAD/Audit)
- Maintain a system to identify and assign the more significant enforcement cases, more rapidly dispose of less significant cases, and manage limited staff resources: the Enforcement Priority System or EPS (OGC)
- Performance targets under the EPS include:

Program III: Public Financing**Objective: Administer Public Financing**

The desired outcomes of the public funding program are to process timely and accurately requests for federal funds to qualified presidential candidates and to ensure impartial and timely enforcement of the FECA.

Current Services Performance Level (OMB level of 391 FTE)

- The temporary FTE in Audit for the 2004 presidential election cycle will allow timely processing of matching fund requests from January of prior year to December of election year; the temporary employees facilitate ability for monthly processing. (This is similar to temporary assistance used in prior election cycles.) (Audit)
- With goal of completing all Title 26 audits within two years of the general election, complete 2004 cycle audits of primary candidates, convention committees (two per major party), and general election audits by December of 2006 (Audit)
- Produce report to Congress on the 2004 matching fund process within 2-1/2 years of 2004 general election (Audit)
- Complete legal reviews of all 2004 presidential audits within two years of 2004 election (December 2006) (OGC)
- Complete all repayment matters for 2004 cycle committees receiving public funds within three years of general election (by December 2007 for 2004 cycle committees) (OGC)
- Complete audit legal review comments within 8 weeks of completion of preliminary Title 26 audits for 2004 cycle (OGC)
- Report on enforcement matters arising out of Title 26 audits and presidential campaigns to Commission every 3-6 months, depending upon complexity of cases; complete routine legal matters within one week; complete all investigations of 2004 presidential matters within four year presidential election cycle (by December 2008) (OGC)

FEDERAL ELECTION COMMISSION STRATEGIC PLAN FY 2004-2009

As directed by the Congress, OMB, and the GPRA, the Strategic Plan provides the framework for how the Federal Election Commission (FEC) will use its resources to implement and enforce the campaign finance laws during the 2002 (FY 2002-2003), 2004 (FY 2004-2005), 2006 (FY 2006-2007) and 2008 (FY 2008-2009) election cycles.

The information in this plan is consistent with all currently available OMB guidance including OMB Circular A-11, as revised, per Transmittal Memorandums for all OMB A-11 Supplements. The plan will be modified in accordance with any future OMB guidance to agencies concerning compliance with the provisions of Public Law 103-62, the Government Performance and Results Act (GPRA.) The FEC Strategic Plan will be reviewed and revised in the FY 2006 Budget preparation process.

MISSION STATEMENT

The mission of the FEC is to assure that the campaign finance process is fully disclosed and that the rules are effectively and fairly enforced, fostering the electorate's faith in the integrity of the nation's political process.

The sanctity of the political process is key to public faith in the policy decisions made by the elected and executive branches of government. Desired outcomes from the successful achievement of this mission include providing the electorate with the capability to make educated, informed decisions in the political process as to where candidates for federal office derive their financial support, and the confidence that those who disregard the Federal Election Campaign Act of 1971, as amended, (FECA) restrictions on campaign financing and/or its requirements for public disclosure will suffer real and evenhanded consequences for non-compliance.

In attaining these outcomes, the FEC strives to foster and maintain an attitude of voluntary compliance with the rules of the campaign finance process. The FEC realizes that voluntary compliance and public confidence are necessary because limited budgetary resources preclude massive efforts to enforce the FECA.

In any election cycle, nearly 8,000 committees file between 85,000 to 90,000 reports, which contain between 2.5 to 3.0 million itemized processed transactions (contributions), as well as millions of other itemized disbursements, receipts and other payments previously not entered into Commission databases (now filed electronically except for Senate reports and other committees with less than \$50,000 in activity.) At the same time, the FEC has the resources to audit less than 1% of the committees filing reports in any given cycle, and only has the capacity to actively pursue between 1.5 to 2% of total committees through the compliance (enforcement) process (average monthly total of active cases since FY 1995) at any given time. As a result, voluntary compliance is the only possible method to ensure widespread compliance with the FECA in the campaign finance universe as it is configured currently.

Administering and enforcing the FECA includes facilitating public disclosure of campaign finance activity; providing information and policy guidance to the public, press, political committees, and elections officials on the law and Commission regulations; encouraging voluntary compliance with the disclosure and other requirements of the FECA; and enforcing the

- That the press and media can use FEC data to more widely disclose campaign finance information;
- That the public and the campaign finance community can easily obtain policy guidance and assistance in understanding and complying with the FECA.

Program II: Compliance

Outcomes are:

- That the public has confidence that the FECA is fairly and swiftly enforced;
- That the election community has a high level of confidence that the FECA is fairly enforced, resulting in a high level of voluntary compliance with the FECA;
- That the election community believes that there are real, timely consequences for violation of the disclosure and limitation provisions of the FECA;
- That FEC enforcement resources are focused on the most salient and significant compliance concerns under the FECA.

Program III: Public Financing

Outcomes are:

- That the successful implementation of the public funding provisions of the FECA continues for each presidential election;
- That all federal funds disbursed in presidential elections are properly certified and accounted for by eligible candidates;
- That all audits and enforcement actions related to public funding are completed in a fair and timely fashion;
- That there are real and timely consequences for failure to comply with the FECA requirements under Title 26.

RELATIONSHIP BETWEEN PERFORMANCE GOALS IN THE ANNUAL PERFORMANCE PLAN (BUDGET) AND GOALS AND OBJECTIVES IN THE STRATEGIC PLAN.

Definition of an Election Cycle

The Commission defines its work in the context of election cycles. An election cycle is defined generally as the preceding and actual election years, i.e., calendar years 2003 and 2004 constitute the 2004 election cycle.

In the Strategic Plan, the FEC notes that the 2004 election occurs in FY 2005, and that the break in fiscal years (October 1) comes in the middle of the peak pre-election period when the FEC experiences its heaviest workloads for many programs. The flow of work for programs such as audits and enforcement actions is such that action on the referrals for audits and compliance actions from the 2004 election most likely will not be finalized for three to four years

1. Complete coding and entry of summary data from documents and statements filed each cycle and meet the 48 hour deadline for making documents public for 99% of those filed;
2. Complete coding and entry of itemized data from reports filed, including 2.5 to 3.0 million itemized transactions per cycle, completing 95% within 45 days of reports being received at the FEC, and all reports processed within a median 7 days from receipt at the commission;
3. Complete the review of all reports filed and refer all potential enforcement actions and audits each cycle, 60% of reviews within 90 days of receipt (quarterly filing periods);
4. Issue 20,000 Requests for Additional Information (RAFI's) per cycle to correct the public record, 60% within 90 days of receipt of report (contacting filers within 90 days minimizes repetitious errors which tend to further burden the disclosure process);
5. Respond to requests for assistance from 40,000 filers per cycle.

B. Produce analytical summaries and releases of campaign finance data in summary form, and in the aggregate and by individual committees, periodically prior to each election, and in summary form after each general election:

1. Produce analytical releases after each election year quarterly report and the pre-general election report;
2. Produce Summary statistical analyses after each election cycle: Reports on Financial Activity;
3. Conduct a database accuracy review monthly for summary and itemized data entry.

C. Make FEC database and data available to requesters directly through on-line, website access:

1. Provide free access to the FEC disclosure database to all state elections offices wishing to participate and grant waivers for state filings for participating states: currently 48 states;
2. Provide timely on-line access to the FEC disclosure database to the public through the FEC website and the storefront Public Records Office;
3. Make electronic filings available over the Internet upon receipt and processing at the FEC and make images of non-electronically filed reports also viewable on the FEC Web site: 4 million visits and over 100 million hits per cycle on the FEC Disclosure site.

D. Respond to over 200,000 requests for data, information, copies of reports or indices, and other requests for assistance each cycle (not including visits and hits on the FEC website):

1. 50,000 requests in Public Records;

1. Process 175-200 complaints plus 45-50 internal referrals during the two-year period;
2. Assuming an average total caseload of 125-150 cases in any given month, maintain an average active caseload of 50% of total caseload;
3. Activate 50% of incoming cases on average over the election cycle.

D. Close 175-200 cases in each election cycle, at least 50% with substantive Commission action. (This 50% represents cases in which the Commission has reached a substantive finding on the merits of the matter, other than dismissal, including findings of no RTB.)

E. Conserve limited enforcement resources for more complex, substantive cases by continuing an administrative fine program for late and non-filing committees, removing non-filer enforcement from the standard complex enforcement process; close 375-400 cases in the second year of the cycle (e.g. FY 2005 for the 2004 cycle.)

F. Conserve additional enforcement resources through the continued operation of the ADR program, designed to streamline the resolution of administrative complaints and Title 2 audit referrals without resorting to the more complex, substantive enforcement procedures. Close 75-100 cases per election cycles, including any cases referred for mediation.

G. Pursue resolution of cases through litigation and defend the FEC and FECA in suits brought by other parties to fully enforce the FECA:

1. Initiate litigation in an estimated 7-10 offensive suits per cycle (always meeting five-year statute of limitations);
2. Defend the FEC and FECA in 20-30 suits initiated per cycle.

PROGRAM III. PUBLIC FINANCING

To meet the goal that the public funding programs under the FECA are fully implemented and fairly and speedily enforced, the Commission will accomplish the following:

Within two years of each presidential general election:

A. Complete the certification of payments to and audits of publicly funded candidates in presidential elections:

1. Process monthly certification requests for federal matching funds (estimated 10-12 candidates in a presidential election with an incumbent, 15-17 candidates in an "open" presidential election);
2. Audit primary candidates receiving federal matching funds (same criteria for number of candidates);
3. Audit at least four (major) national party convention and host committees receiving federal funds for nominating conventions, and any eligible minor party convention committees;
4. Audit general election candidate committees of two major parties (and any eligible minor parties).

-- Major increases or decreases in the level of funding appropriated to the FEC and the presence and nature of any restrictions on the use of those funds;

All of these factors can influence the amount of money to be regulated by the FEC each election cycle, driving FEC workloads such as the number of reports filed and transactions to be processed, the volume of requests for information, data, and assistance made to the FEC, and the number of complaints filed with the Commission. Of all these factors, the status of the presidential fund and the appropriations level for the FEC are perhaps the most salient currently.

Record levels of campaign finance activity in the past six election cycles, coupled with available budgetary resources, have severely strained the Commission's ability to meet mission objectives and performance goals. The status of the presidential fund may become an active factor in future elections, because of declining public support of the check-off and absent any legislative fix to index income into the fund. Several major candidates have chosen not to participate in the public financing process in the presidential primaries for the 2000 and 2004 election cycles.

FEC PROGRAM EVALUATION ACTIVITIES

The FEC has a planning and budgeting system which is based on a detailed Management Information System (MIS), and is driven by program based workloads and activity data, outputs, and productivity measures. In an on-going evaluation process, the monthly MIS reports and FY based productivity measures are used to evaluate program efficiency and effectiveness. The FEC has also married the A-123 and A-127 processes, under the Federal Managers' Financial Integrity Act, to ongoing program management activities, and has striven to relate the annual A-123 reports to the FEC Budget requests.

The evaluation of program resources, mainly staff resources, and the resulting program outputs and productivity measures are used in the internal planning and budget formulation processes. Commission Management Plans and Budget Requests are workload-driven, and related to resource levels and expected program activity levels.

As a personnel intensive agency, about 70% of the Commission's resources are staff costs, and the remaining 30% represents mainly rent and other direct support for that staff. Using the MIS and Summary MIS reports, both produced on a monthly basis, all workloads, program outputs, productivity, and effectiveness and efficiency are being monitored, in monthly Management Reports. Several other tracking systems monitor the status of reports processing (filing, filming, data coding and entry, and reports review), enforcement and litigation activities, Advisory Opinions and regulatory rule making, and audit progress. The Enforcement Priority System continually adjusts active enforcement caseloads to match available resources.

A major, multiyear effort to institute a Case Management system for OGC to track enforcement cases resulted in the system becoming fully operational in FY 2003. This system monitors case status and tracks staff time by case for all OGC programs, not just enforcement. The implementation of the Case Management system provides a significant tool for the FEC to monitor resource usage and case progress.

The Performance Goals contained in this Strategic Plan and the annual FY based Performance Budgets are tied directly to the Commission's workload and activity measures and the level of funding requested. The on-going program activity monitoring and output measurement efforts enable the Commission to determine if its performance goals are being achieved. This provides the basis for future evaluation efforts.

Information and Disclosure Issues

- Possible changes in staff allocations in response programs because of the reduction of direct inquiries to FEC staff due to the use of IT and other technology to process demands for information, reports and data;
- Impact of possible FEC reorganization and restructuring of FEC programs in response to changing demands for information and data and related impact of BCRA changes on outreach efforts;
- Review of efficacy and scope of FEC outreach efforts to educate and inform the public and the filing community post-BCRA.

Compliance Issues

- Role of administrative fine program: extension of program beyond December 31, 2005; impact on filing and reporting of disclosure data and on RAD review programs;
- Scope of Title 2, or 438(b), Discretionary Audit program: expand number of audits, continue limited scope audit program
- Continuing role of the ADR program in the compliance and enforcement programs.
- Impact of BCRA implementation on compliance programs.

Enforcement Issues

- Impact of ADR and administrative fine programs on OGC enforcement workloads; impact of automated review and adjustments to RAD thresholds on enforcement workloads;
- Impact of BCRA changes on enforcement workloads and programs;
- Efficacy of litigation and enforcement—setting precedents and building a case record in significant areas of the FECA and fostering compliance with the FECA, particularly with respect to new issues raised by the BCRA amendments to the FECA

Regulations and Policy Issues

- Areas of the FECA and/or Regulations that need to be clarified, or revisited for possible revision;
- Continuing impact of BCRA amendments and Supreme Court decision on FEC regulations and legal policy issues.

Pursuant to directions outlined in the House Appropriations Committee report on the FY 2002 Treasury, Postal Service, and General Government Appropriations bill, the Federal Election Commission reports the following information:

APPROPRIATIONS NOT AUTHORIZED BY LAW

	Last year of Authorization	Authorization Level	Appropriation In Last Year Authorized	Appropriation Request in FY 2005
Federal Election Commission	1981	\$9,400,000	\$9,662,000	\$52,159,000



FEDERAL ELECTION COMMISSION

**CONGRESSIONAL JUSTIFICATION
BUDGET REQUEST FOR FY 2006**

**PRESENTED TO THE
UNITED STATES CONGRESS**

PURSUANT TO GPRA AND OMB A-11

April 11, 2005

Submitted to Congress/OMB

EXECUTIVE SUMMARY

The Federal Election Commission (FEC) submits a budget request of \$54,600,000 and 391 FTE for FY 2006, an increase of \$2,858,272 (5.52%) over our enacted FY 2005 appropriation of \$51,741,728 (\$52,159,000 less the FY 2005 across-the-board rescission for domestic discretionary programs) and 391 authorized FTE. The FEC FY 2006 request conforms to the President's budget request for FY 2006 and was the result of an agreement reached with OMB during the FY 2006 budget preparation process.

In FY 2004, the FEC Office of Election Administration (OEA) was transferred, with all remaining funds and other assets, to the Election Assistance Commission (EAC). The transfer took place April 1, 2004. Therefore, FEC funding for the OEA is not included in the FEC FY 2005 appropriation, or the FEC FY 2006 budget request.

The FY 2006 request represents a continuation of FY 2005 funding levels, adjusted for inflation and salary and benefits increases. As such, it represents essentially a Current Services request for FY 2006, with no additional funds or staff for new FEC programs or initiatives and represents an overall increase of only 2.28% for non-personnel costs. Many of the non-personnel object classes actually decrease from FY 2005 levels, with the exception of the funding of the FEC IT enhancement initiatives that are spread over several fiscal years for several projects. This is partially a reflection of the fact that the FEC reduced its original current services estimate of \$55,108,000 to reach agreement with OMB for FY 2006, with the reductions coming from non-personnel to conserve full funding of 391 FTE. In addition, the FEC was able to accelerate some of the multi-year IT enhancements in FY 2004 due to personnel lapse; that in turn enabled the FEC to reduce some IT costs in FY 2005 to enable the conservation of staff, despite the across-the-board rescission in FY 2005.

The FEC FY 2006 request represents a 6.77% increase for personnel costs attributable to normal step increases (within grade or WIG increases), the annualized FY 2005 COLA (3.72% effective in January 2005) and the FY 2006 COLA (2.3% in January of 2006) and full staffing at 391 FTE; actual staff in FY 2005 is projected to reach about 388 FTE.

FY 2006 PERCENTAGE INCREASES				
CATEGORY	FY 2005	INCREMENT	PERCENT	FY 2006
SALARIES/BENEFITS	36,308,707	2,591,093	7.14%	38,899,800
OTHER	1,098,270	(59,270)	-5.40%	1,039,000
PERSONNEL	37,406,977	2,531,823	6.77%	39,938,800
NON-PERSONNEL	14,334,751	326,449	2.28%	14,661,200
TOTAL	51,741,728	2,858,272	5.52%	54,600,000

Federal Election Commission Mission

The mission of the FEC is to assure that the campaign finance process is fully disclosed and that the rules are effectively and fairly enforced, fostering the electorate's faith in the integrity of the nation's political process.

Desired outcomes from the successful achievement of this mission include: enabling the electorate to make informed decisions in the political process with regard to where candidates for federal office derive their financial support; and providing reasonable assurance that those who disregard the Federal Election Campaign Act of 1971, (FECA) as amended, restrictions on campaign financing and/or its requirements for public disclosure will suffer real and evenhanded consequences for non-compliance.

In attaining these outcomes, the FEC strives to foster and maintain an attitude of voluntary compliance with the rules of the campaign finance process. The FEC realizes that voluntary compliance and public confidence are necessary because limited budgetary resources preclude massive efforts to enforce the FECA.

The FY 2006 budget request will enable the FEC to perform its statutory mission and meet its program goals and objectives. The FEC budget justification is structured to reflect its mission to administer and enforce the three main components of the Federal Election Campaign Act of 1971, as amended (FECA):

- the disclosure of campaign finance information;
- the contribution limitations and prohibitions; and
- the public financing of Presidential elections.

Formerly, the FEC had the mandated responsibility to compile information and review procedures related to the administration of federal elections. That responsibility has been transferred to the EAC, which is funded in the President's FY 2006 Budget. The OEA was formally transferred, with all existing assets, to the EAC on April 1, 2004.

Programs, Objectives and Goals

To accomplish its mission, the FEC has established three core programs. For each core program, the Commission has defined objectives and goals that are achieved through several Commission line programs. The core programs are listed below, followed by the dollar amount and FTE needed to achieve the objectives and goals under the FY 2006 Budget:

- Promoting Disclosure - \$15,664,121 and 146.6 FTE
- Obtaining Compliance with FECA - \$29,081,292 and 181.1 FTE
- Administering Public Financing of Presidential Elections - \$9,854,586 and 63.3 FTE

Building on Past Successes

In FY 2003-2004, the FEC achieved major successes, including meeting statutory and court deadlines for the BCRA implementation and legal challenges to the BCRA and expansion of the compliance program. These successes are the result of FEC efforts and support from our Congressional oversight committees. In addition, two programs have received accolades from the regulated community—the Administrative Fine and Alternative Dispute Resolution (ADR) Programs.

BCRA Implementation

Operating under strict statutory deadlines for promulgation of new regulations to implement the BCRA amendments, the Commission met the required deadlines and issued new regulations to implement the changes to the FECA enacted in the BCRA. In addition, FEC staff reviewed all programs and processes for disclosure and compliance programs to ensure that all forms and procedures comply with the BCRA changes. Delayed funding and the lack of space for additional staff made it impossible to hire the requested staff for the BCRA implementation in FY 2003, and the Commission relied on overtime, contract temporary staff assistance, and pulling staff from other programs. Commission staff also was required to comply with strict court imposed deadlines in the legal cases challenging the BCRA and the constitutionality of several aspects of the new law. As in the case of the review of Commission processes and the regulations, lack of additional staff required the use of overtime, contract assistance, and “borrowed” staff from other programs.

The FEC anticipated that the result of the Supreme Court review of the BCRA legislation would require some range of revisions and changes to regulations; the number of changes depended upon the nature of the Court’s ruling. Due to the Court’s ruling substantially upholding the BCRA amendments and FEC regulations implementing them, the workload faced by the FEC is not as great as it might have been. However, there are still issues that can and are being raised and the FEC anticipates on going regulatory and policy work related to the BCRA amendments. The FY 2006 request assumes that the FEC will continue to conduct educational and informational programs on the FECA and BCRA; some of these efforts were held in abeyance in FY 2004 in order to wait for the final Supreme Court ruling before changing publications and guidance. Challenges to FEC regulations and the BCRA implementation continue and are expected to continue into FY 2006. The FEC also continues to issue new and revised regulations to deal with issues arising from the BCRA amendments and subsequent court decisions.

FEC Compliance Program

The first major overhaul of the FEC’s enforcement program occurred in May 1993. Faced with a large number of complex cases, the Commission developed the Enforcement Priority System (EPS) to classify and prioritize cases in tiers of complexity and importance. The EPS was designed to enable the FEC to focus limited enforcement resources on the more important enforcement actions and close low-rated and stale cases. The increased level of civil

penalties assessed by the Commission subsequent to implementation of the EPS has demonstrated the benefits of pursuing more substantive cases. In 1991, there were 262 cases closed with civil penalties totaling \$534,000; in 1995, there were 229 cases closed with \$1,967,000 in civil penalties. By FY 2004, there were 250 cases closed with civil penalties and fines totaling \$3,463,050. A more detailed discussion is included in the FY 2004 FEC Enforcement Profile included in this submission.

As the FEC's caseload and the complexity of the issues continued to grow, Congress, in 1995, called for a comprehensive review of the Commission by Pricewaterhouse Coopers (PwC). As a result of that review, legislation enacted in 1999 established the Administrative Fine Program within the Commission. This program enables the Commission to streamline the enforcement of late and non-filer violations in an expedited system with a published schedule of penalties. The Commission also instituted an Alternative Dispute Resolution (ADR) program to process, in a more expeditious manner, matters that are "less serious breaches of the law," but that are not "simple" late and non-filer issues.

Before 2000, the FEC's enforcement program was administered entirely by the Office of General Counsel (OGC). The two new components of the Commission's enforcement efforts – the Administrative Fine Program and the ADR Program – are administered by the Staff Director and are not part of the OGC. The goal of the ADR Program is to resolve matters quickly and effectively through bi-lateral negotiations. Both the ADR and Administrative Fine Programs are designed to expand the FEC enforcement presence and resolve certain types of cases without resorting to the more lengthy traditional enforcement process.

Another tool that has improved the efficiency of the enforcement process is the Case Management System, which enables the Commission to measure performance with regard to the substantive resolution of cases by issue and to measure timeliness of enforcement actions. This system has provided the Commission with a mechanism to more efficiently manage its caseload and has enabled the Commission to electronically track and store data related to cases and respondents. This program enables users to readily locate information related to pending cases and cases closed since FY 1995.

The Commission's goal in implementing the measures discussed above was to increase the effectiveness of the enforcement program by activating more cases, closing more cases with substantive action, and resolving some cases that would otherwise have been dismissed. Another goal was to speed up the closure of enforcement cases. The Commission has met its compliance goals. Today, the Commission focuses its legal resources on the more complex enforcement matters, while using administrative processes to handle less complex matters, as the following analysis illustrates.

For example, from FY 1995 through FY 2000, the FEC closed an average of 197 cases each fiscal year. In FY 2001, with the addition of the Administrative Fine and ADR Programs, the FEC closed 518 cases, a 163% increase over the FY 1995-2000 annual average of 197 cases. In FY 2002, the FEC closed 226 cases, including enforcement, ADR and administrative fine

cases. The total in FY 2003 was 529 closed cases and in FY 2004 it was 250 cases (cases increase markedly in odd fiscal years due largely to the timing of late and non-filer cases).

The ADR program affords both the FEC and the respondent parties the opportunity to resolve cases more rapidly. This is also an opportunity for the Commission to resolve cases substantively, as well as to process them more rapidly. Since the inception of the program on October 1, 2000 through September 30, 2004, the ADR office concluded agreements with respondents and formally closed 135 cases, 102 with substantive action (76%). For the four years the ADR program has imposed \$154,743 in civil penalties. These 102 cases were generally closed within six months of referral to the ADR program; by FY 2004 the time required to close an ADR case with substantive action took an average of 254 days from the time matters were first sent to OGC and then referred to the ADR office. By FY 2004, substantive cases were closed by ADR within a median of 208 days; dismissed cases were closed within a median of 155 days.

The Administrative Fine Program has closed 1,009 cases since FY 2000 and assessed \$563,810, \$289,891, \$668,392, and \$369,055 in penalties in fiscal years 2001-2004, respectively. For the four years, the program closed cases in an average of 242 days from when the reports were due to be filed at the FEC.

For the OGC Enforcement program itself, from FY 1995 to 2000, 287 of a total of 1,180 cases were closed with civil penalties: 24% of the cases closed had civil penalties assessed. From FY 2001 to 2004, OGC closed 119 out of 377 cases with civil penalties (32%). In addition, while the average from FY 2001 to 2004 is 30 cases per fiscal year with civil penalties, compared to an average of 48 cases with civil penalties per fiscal year from FY 1995 to 2000, the average amount of civil penalties assessed per case in each of the last four years increased over the previous six fiscal years. This is all evidence that the overall compliance program is allowing OGC to focus limited enforcement resources on more substantial, significant cases.

Furthermore, from FY 1995 to 2000, 54% of OGC cases were dismissed without substantive action; that decreased to 29% from FY 2001 to 2004. Even more encouraging is the fact that 78% and 85% of OGC enforcement cases were closed with substantive action in the last two years. In addition, the average days required to close a case with substantive action improved from an average of 610 days for the period of FY 1995-2000 to an average of 446 days during FY 2004. On a median days required to close a case basis, the improvement was down to 240 days during FY 2004 for substantive cases. This analysis is strong evidence that the FEC has successfully increased the overall FEC enforcement presence, has increased the number of cases closed with substantive action, has collected more civil penalties and fines on a per case basis, has expedited the closing of cases within OGC, and, by use of the ADR and Administrative Fine Programs, has achieved these successes without large increases in enforcement staff. Clearly, from FY 2001 through 2004, the FEC has made significant improvements in the compliance program.

FEC Disclosure and Informational Outreach Programs

The FEC recognizes that with limited resources it must rely on voluntary compliance. In addition to fostering a belief that the campaign finance disclosure laws will be enforced when significant violations occur, the Commission has relied on effective outreach and informational programs to reduce violations due to lack of understanding of the law. Generally, FEC efforts, such as the 800 informational line, the campaign finance workshops and seminars, and the campaign guides and brochures, have all received high marks from the elections community, the media, and the public.

A 2004 hearing on the FEC enforcement process held by our House Oversight Committee was noteworthy for the consistently high marks given by Members to the FEC staff and informational programs. The FEC received high praise for its efforts to educate and inform the election community, and the responsiveness and professionalism of the FEC staff was remarked upon numerous times.

In addition, the FEC disclosure programs are generally praised, and often FEC data and reports provide the foundation for analysis and further study by the media and elections interest groups. The FEC continues to operate a storefront disclosure office in Public Records, but also increasingly serves the media and the public through the FEC web site and other electronically provided data and publications. While the Commission will continue to print and make available copies of brochures and publications, increasingly the needs of the election community, the public and the press are served by electronically available data and reports. In FY 2004, the FEC electronic disclosure database and website received over 4 million visits and 100 million hits by users seeking campaign finance data and FEC documents. The FEC continues to upgrade and enhance its website, the electronic filing system and other electronic systems, and to adapt to changes required by BCRA or any other changes to the FECA.

FEC FY 2006 BUDGET				
INCREASE IN ACTIVITY	MILLIONS OF VISITS AND HITS ON FEC WEBSITE			
AT FEC WEBSITE	FY 2001	FY 2002	FY 2003	FY 2004
USE OF FEC WEBSITE				
VISITS TO SITE	2.5	1.5	2.0	4.1
HITS ON SITE	55.8	46.6	59.2	100.0

However, the FEC also continues to respond to many telephonic and written requests for information, data and assistance in filing reports, with an increase in the last two years partly due to the BCRA amendments to the FECA. The Information Division 800 line and the RAD analysts assigned to specific committees will continue to be an integral part of the FEC's effort to inform and educate the public and to foster voluntary compliance with the filing requirements of the FECA. The FEC also utilizes the Internet and a monthly newsletter, *The Record*, to provide prior notice to filers and general assistance in the correct filing of reports.

There is recent evidence that the informational and educational outreach efforts, as well as the standardized and regularized Administrative Fine Program, have improved the timeliness of filing. The percentage of committees filing required reports and filing them on time has improved the last two election cycles. The FEC sees this as evidence that the disclosure and compliance programs are working to foster voluntary compliance with the FECA.

FEC FY 2006 BUDGET				
INFORMATIONAL REQUESTS	CALLS/REQUESTS FOR INFORMATION RESPONDED TO			
AND INQUIRIES	FY 2001	FY 2002	FY 2003	FY 2004
TOTAL CALLS	84,900	74,800	82,100	92,700
PERCENT CHANGE		-12%	10%	13%
PRESS CALLS	11,300	7,900	8,300	5,500
PERCENT CHANGE		-30%	5%	-34%
RAD CALLS FOR ASSISTANCE	12,500	14,900	20,200	18,500
PERCENT CHANGE		19%	36%	-8%

Financial Audit—Accountability of Tax Dollars Act of 2002

In FY 2004, the FEC was required to undergo a full financial audit. The Commission was successful in achieving a non-qualified opinion (a “clean” opinion) in our first year of the required annual financial audits. Although the audit report noted some material weaknesses and reportable conditions, the FEC successfully achieved an overall unqualified opinion. The FEC will endeavor to remove the material weaknesses and reportable conditions and continue to improve our financial management systems in FY 2005 and 2006.

Impact of Continuing the OMB Level for FY 2006

As noted, the FY 2006 budget represents minimal increases from the final enacted funding for the Commission in FY 2005. This funding is required to provide the Commission with the space and resources to house and support a full complement of staff in the successful administration of the 2004 and 2006 election cycles, as represented by activities during FY 2006.

The funding level contained in this budget request will enable the Commission to:

- continue to meet all requirements to implement and enforce the BCRA amendments;
- complete all Presidential audits within two years of the 2004 election;
- conduct 40-45 Title 2 “for cause” audits per election cycle as opposed to 20-25 in the previous election cycles;
- maintain a timely and enhanced campaign finance disclosure program;

- ensure that significant and timely efforts are made to enforce the FECA;
- maintain and enhance existing Commission educational and informational outreach programs designed to foster knowledge of the FECA and voluntary compliance with the disclosure and limitations provisions of the statute;
- continue disclosure programs that disseminate data and analytical reports to the media and private organizations for use in further analysis and more widespread disclosure of campaign finance information to the general public and the election community;
- continue the Administrative Fine and Alternative Dispute Resolution Programs;
- continue and enhance the automation of the reports review process; and
- maintain an unqualified opinion from the annual financial audit.

To continue reaping the benefits of automation in our disclosure and compliance programs, without adding additional staff, it is imperative that the Commission receive the requested resources in FY 2006 to implement the automated review of financial disclosure reports, to continue to enhance the analysis and accessibility of campaign finance disclosure information, to improve the timeliness and saliency of enforcement cases and to continue the alternative compliance programs.

**DIFFERENCE FY 2005 TO FY 2006
FY 2006 Budget Request for FEC**

	FY 2005 Appropriation (post-rescission)	\$51,741,728
+	Increase in pay, benefits (COLAs, WIG increases) WIG step increases FY 2005 COLA of 3.72% annualized in 2006 FY 2006 COLA of 2.3% Full 391 FTE and benefits costs (health, etc.)	\$ 2,531,823
+	Increase in IT enhancements/IT costs	\$ 1,106,500
+	Decrease in rent (acquisition of 5 th floor completed in FY 2005)	\$ (151,000)
+	Net decrease in other non-personnel costs	\$ (629,051)
	Increase in FY 2006 Request	\$ 2,858,272
=	Budget for FY 2006	\$54,600,000

FEDERAL ELECTION COMMISSION FY 2006 BUDGET REQUEST

The Federal Election Commission (FEC) submits a budget request of \$54,600,000 and 391 FTE for FY 2006, an increase of \$2,858,272 (5.52%) over our enacted FY 2005 appropriation of \$51,741,728 (\$52,159,000 less the FY 2005 across-the-board rescission for domestic discretionary programs) and 391 authorized FTE. The FEC FY 2006 request conforms to the President's budget request for FY 2006 and was the result of an agreement reached with OMB during the FY 2006 budget preparation process. This request represents a continuation of the FY 2005 funding level, as adjusted for inflation and salary and benefits increases, full staffing of the 391 FTE requested, and with no programmatic increases. This request level was reached through negotiations with OMB staff during the preparation of the FY 2006 President's Budget Request. The FEC agreed to reduce its original current services estimate of \$55,108,000 by \$508,000 and to include the expected FY 2006 COLA at 2.3%, per OMB guidance.

In FY 2004, the FEC Office of Election Administration (OEA) was transferred, with all remaining funds and other assets, to the Election Assistance Commission (EAC). The transfer took place April 1, 2004. Therefore, FEC funding for the OEA is not included in the FEC FY 2005 appropriation, or in the FEC FY 2006 budget request.

The funding level contained in this budget request will enable the FEC to continue to meet all requirements for the full BCRA implementation, and:

- complete all Presidential audits within two years of the election;
- conduct 40-45 Title 2 "for cause" audits per election cycle, as opposed to 20-25 in the previous election cycles;
- maintain a timely and enhanced campaign finance disclosure program;
- ensure that significant efforts are made to enforce the disclosure provisions of the FECA;
- maintain existing Commission educational and informational outreach programs, designed to foster knowledge of the FECA and voluntary compliance with the disclosure and limitations provisions of the statute;
- continue disclosure programs that disseminate data and analytical reports to the media and private organizations for use in further analysis and more widespread disclosure of campaign finance information to the general public and the election community;
- continue the Administrative Fine and Alternative Dispute Resolution Programs;
- continue and enhance the automation of the reports review process;

- maintain a clean or unqualified financial audit opinion; and
- develop and maintain the following IT capabilities:
 - * support and enhance the mandatory electronic filing program;
 - * continue the conversion of legacy systems to a client server environment;
 - * complete the conversion to a Commission-wide document management system;
 - * complete the changes necessary to implement the BCRA amendments to the FEC;
 - * maintain and enhance the FEC website;
 - * maintain a new MIS and Budget system integrated with the FEC financial system; and
 - * support the Case Management System.

Information Technology (IT) Enhancements

The budget request funds IT initiatives, as outlined in the FEC IT Strategic Plan, including the following areas:

- client/server environment development and conversion;
- document management system development and implementation;
- telecommunications infrastructure enhancement;
- enhancement of automated review of disclosure reports;
- computer security;
- Case Management, Enforcement Query System (EQS) and related tracking systems;
- financial management and integrated MIS and budget preparation systems;
- website enhancement; and
- development of web-based access to FEC data.

Summary of Request and Differences from FY 2005

The following tables summarize the FY 2006 request and the differences from FY 2005. As noted in the Executive Summary, the net increase in FY 2006 is 5.52% over FY 2005, for a \$2,858,272 increase. The increase in personnel costs results from full funding of the 391 FTE requested and the FY 2005 and 2006 COLAs. Although authorized 391 FTE in FY 2005, the FEC will reach approximately 388 FTE, with the reduction resulting from forced absorption of the full costs of the annualized FY 2004 COLA and the full FY 2005 COLA. Also a factor was the across-the-board rescission in domestic discretionary programs in FY 2005. In addition, delays in staffing increases were caused by the delay in acquiring additional space to house additional staff. The FY 2006 request assumes that the FEC will fully occupy the newly acquired additional space at 999 E Street during FY 2005 and will staff up accordingly.

TABLE 1: FY 2006 PERCENTAGE INCREASES

FY 2006 PERCENTAGE INCREASES				
CATEGORY	FY 2005	INCREMENT	PERCENT	FY 2006
SALARIES/BENEFITS	36,308,707	2,591,093	7.14%	38,899,800
OTHER	1,098,270	(59,270)	-5.40%	1,039,000
PERSONNEL	37,406,977	2,531,823	6.77%	39,938,800
NON-PERSONNEL	14,334,751	326,449	2.28%	14,661,200
TOTAL	51,741,728	2,858,272	5.52%	54,600,000

TABLE 2: FEC STAFFING

FEC FTE FY 2006 BUDGET					
OFFICE/ DIVISION	FY 2004 ACTUAL	FY 2005 YTD ACTUAL (2/05/2005)	FY 2005 AUTHORIZED	FY 2005 PLANNED	FY 2006 BUDGET REQUEST
COMMISSIONERS	21.8	21.2	23.0	24.2	26.0
STAFF DIRECTOR	12.6	14.4	15.0	15.1	15.0
PLANNING AND MGMT	1.8	1.2	2.0	1.5	2.0
PERSONNEL	5.8	7.0	7.0	7.0	7.0
PRESS	4.7	4.8	5.0	5.0	5.0
EEO	1.0	0.8	1.0	0.8	1.0
ADR	3.0	3.0	3.0	3.0	3.0
OAR	3.1	3.0	3.0	3.0	3.0
ADMINISTRATION	20.7	20.1	21.0	20.7	21.0
AUDIT	41.8	40.9	43.0	42.0	40.0
INFORMATION	15.6	14.9	14.0	14.9	15.0
GENERAL COUNSEL	118.1	120.5	127.0	125.6	127.0
IT DIVISION	54.0	53.9	54.0	54.1	39.0
DISCLOSURE	12.5	12.2	14.0	13.0	29.0
REPORTS ANALYSIS	50.4	53.1	55.0	54.1	54.0
I. G. OFFICE	4.0	4.0	4.0	4.0	4.0
COMMISSION TOTAL	370.8	374.9	391.0	387.9	391.0
FY 2004 DOES NOT INCLUDED OEA TRANSFERRED TO EAC IN APRIL 2004.					

TABLE 3: SUMMARY CHANGES FY 2005-2006

Attachment A: FEDERAL ELECTION COMMISSION PRELIMINARY FY 2006 BUDGET						
	FY 2003-2005 BCRA LEVEL				FY 2006 BUDGET 3/09/2005	
FY 2006	FY 2003	FY 2004	FY 2004>2005	FY 2005	FY 2006	FY 2006
31-Mar-05	ACTUAL	ACTUAL	CHANGE	M PLAN	CHANGE	BUDGET
BUDGET REQUEST	30-Sep-03	30-Sep-04	INCREMENT	388 FTE	INCREMENT	391 FTE
OBJECT CLASS	362 FTE	374 FTE	374>388 FTE	FEC M PLAN	INCREMENT	FEC/OMB
CODE	SUMMARY	SUMMARY	SUMMARY	SUMMARY	SUMMARY	SUMMARY
SALARIES/BENEFITS	31,966,960	34,416,822	1,751,885	36,168,707	2,731,093	38,899,800
11.10 SALARIES	25,414,961	27,544,880	666,711	28,211,591	2,130,253	30,341,844
12.10 BENEFITS	6,285,483	6,871,942	1,085,174	7,957,116	600,840	8,557,956
12.10 TRANSIT SUBSIDY	266,516	327,300	67,700	395,000	5,000	400,000
11.50 OVERTIME	207,642	129,784	97,123	226,907	(33,907)	193,000
11.82 WITNESSES	548	320	1,680	2,000	(1,000)	1,000
11.52 CASH AWARDS	428,413	413,456	40,907	454,363	(29,363)	425,000
13.01 OTHER	-	6,618	153,382	160,000	(140,000)	20,000
PERSONNEL	32,603,563	35,294,300	2,112,677	37,406,977	2,531,823	39,938,800
21.01 TRAVEL	273,154	257,910	121,341	379,251	(70,751)	308,500
22.01 TRANS/THGS	38,008	54,449	61,551	116,000	(65,000)	51,000
23.11 GSA SPACE	3,389,000	3,777,070	389,430	4,166,500	(151,000)	4,015,500
23.21 COM. SPACE	69,900	59,268	27,232	86,500	(10,500)	76,000
23.31 EQUIP RENT	309,826	177,829	30,171	208,000	(2,000)	206,000
23.32 TELE LOCAL	175,000	178,240	6,760	185,000	5,000	190,000
23.33 LDIST/TELEG	36,550	19,800	3,700	23,500	1,000	24,500
23.34 TELE INTCTY	29,700	24,018	5,982	30,000	-	30,000
23.35 POSTAGE	215,752	180,561	4,439	185,000	(9,800)	175,200
24.01 PRINTING	483,333	366,431	55,569	422,000	(11,000)	411,000
24.02 MICROFILM	26,600	24,000	2,000	26,000	1,000	27,000
25.11 TRAINING	125,556	139,198	86,802	226,000	(43,000)	183,000
25.12 ADMIN EXP	59,220	81,795	46,705	128,500	(14,000)	114,500
25.13 DEP/TRANSC	50,576	29,030	20,970	50,000	(11,000)	39,000
25.14 IT CONTRACTS	1,326,202	20,326	2,614,674	2,635,000	(525,000)	2,110,000
25.21 CONTRACTS	892,613	669,411	11,889	681,300	(209,300)	472,000
25.23 REPAIR/MAIN	2,000	1,573	1,427	3,000	-	3,000
25.24 TUITION	12,550	8,068	7,932	16,000	(5,000)	11,000
25.31 FED AGENCY	2,528,184	405,131	244,369	649,500	500	650,000
25.32 FED TRAINING	57,712	35,735	58,765	94,500	(43,000)	51,500
25.41 FACIL MAINT	151,768	132,859	141	133,000	(73,000)	60,000
25.71 EQUIP/MAINT	211,874	207,373	401,327	608,700	(337,700)	271,000
25.72 SFT/HRDWRE	3,108,154	3,383,285	(2,258,285)	1,125,000	702,500	1,827,500
26.01 SUPPLIES	315,192	268,294	(31,462)	236,832	49,168	286,000
26.02 PUBS	206,314	186,855	12,545	199,400	(20,400)	179,000
26.03 PUBS SERV	241,473	298,056	21,044	319,100	(5,100)	314,000
31.01 EQP PURCH	424,655	189,842	(61,842)	128,000	(93,000)	35,000
31.02 CAPITALIZED IT	2,038,167	3,578,754	(2,755,754)	823,000	1,657,000	2,480,000
31.03 NON-CAPT IT	139,275	353,059	97,109	450,168	(390,168)	60,000
NON-PERSONNEL	16,938,308	15,108,220	(773,469)	14,334,751	326,449	14,661,200
	-	-	-	-	-	-
TOTAL FEC	49,541,871	50,402,520	1,339,208	51,741,728	2,858,272	54,600,000

TABLE 4: BUDGET BY DIVISION/OFFICE

FEC BUDGET BY DIVISION/OFFICE			
DIVISION/OFFICE	FY 2004	FY 2005	FY 2006
COMMISSIONERS	2,915,083	3,000,300	3,294,900
STAFF DIRECTOR	3,571,342	4,500,836	4,521,300
SDO STAFF	1,383,927	1,534,000	1,706,800
PLANNING AND MNGMT	237,223	190,300	281,300
PERSONNEL	542,476	1,394,000	1,135,000
PRESS OFFICE	563,370	529,300	557,100
EEO	174,933	166,600	133,000
ADR	347,236	361,500	365,300
OAR	322,177	325,136	342,800
ADMINISTRATION	7,457,436	8,411,835	8,056,800
AUDIT	3,954,046	4,043,753	4,324,500
INFORMATION	1,441,532	1,531,100	1,614,100
GENERAL COUNSEL	13,484,783	14,394,727	15,254,700
IT	12,511,225	10,807,400	11,121,200
PUBLIC DISCLOSURE	876,167	903,700	2,059,400
REPORTS ANALYSIS	3,364,029	3,594,700	3,741,300
IG OFFICE	517,491	552,400	611,800
TOTAL	50,093,134	51,740,751	54,600,000
OEA	309,386	977	-
FINAL TOTAL	50,402,520	51,741,728	54,600,000

FEC Staffing and Workloads

FY 2006 covers the conclusion of the 2004 presidential election cycle and the beginning of the 2006 congressional election cycle. The 2004 election broke records for total financial activity in federal elections, with the total disbursements for all candidates and committees expected to exceed \$5 billion. The 2002 cycle set a record for a congressional election cycle, and this record level of financial activity is expected to continue in the 2006 election.

Despite large increases in Commission workloads, because of increasing federal election-related campaign finance activity, the FEC has relied on management initiatives and information technology advancements to improve productivity to meet the increasing workloads. Total disbursements in federal elections increased by over 1,500% since 1976: from \$310 million to a projected \$5 billion in the 2004 cycle. This has translated into workload increases, such as a 27% increase in documents filed per cycle, from 1984 to 2000, and an increase of 400% in the

number of transactions entered into the database since the 1984 election cycle. The final increases for the 2004 cycle will be even higher. The FEC has processed these record level workloads with modest staff increases.

As a result of the dramatic increase in activity, our available resources dictate that we audit and investigate a relatively small number of committees. With approximately 8,000 committees filing reports each election cycle, the FEC audits about 45 committees per cycle, or about .6% of the filing universe. With an average active caseload of between 100 to 150 enforcement cases in any given month, approximately 50% of the complaints received by the FEC are activated.

The Commission has attempted to maximize the effectiveness of the compliance and enforcement programs through the increased use of technology and with management initiatives to better focus the resources available. Because of the modest size of many of our compliance and enforcement programs, any reduction in staffing below our Current Services base will jeopardize our basic mission and objectives.

Total campaign finance activity for the 2004 cycle could finally reach \$5 billion in total disbursements, from 8,000 committees filing over 95,000 reports and generating 3.5 million itemized transactions. Some resources in FY 2006 will be dedicated to resolving outstanding issues and the final workload of the 2004 cycle. The 2006 cycle, a congressional cycle, should be slightly lower in volume than the 2004 presidential cycle. Nevertheless, total disbursements could exceed \$3.5 billion in 2006, with 8,000 committees filing 85,000 to 90,000 reports and from 2.5 to 3 million itemized transactions.

Despite the prospect of continuing increases in campaign finance activity in federal elections, the FEC has requested no additional resources for the disclosure, compliance and enforcement programs. Given the expected total volume of money involved in the 2004 and 2006 election cycles, we believe that the FEC request for FY 2006 is fully supported and is a modest one.

FEC Mission

The FEC budget is based on the agency's mission to administer and to enforce the three main components of the Federal Election Campaign Act of 1971, as amended (FECA):

- the disclosure of campaign finance information;
- contribution limits and prohibitions; and
- the public financing of Presidential elections.¹

¹ Public funding of Presidential elections has three components: matching funds for qualified Presidential primary candidates; public grants for the Presidential nominees of major and minor parties; and public grants to major parties to run their national Presidential nominating conventions.

Programs

To accomplish this mission, the FEC has established three core programs:

- Promoting disclosure;
- Obtaining compliance with FECA; and
- Administering the public financing of Presidential elections.

Within each of the core programs, the Commission has defined specific objectives. To achieve these objectives, the Commission must accomplish certain goals. To the extent that the agency succeeds in reaching these goals and objectives, it will fulfill its fundamental mission.

Overview of FEC Programs

Tables 5A and 5B provide an overview of the FEC budget by program. Table 5A shows the total dollars budgeted for each program, and Table 5B shows the personnel (FTE) for each program. The FEC management and administrative overhead costs, including information technology costs and FTE, are allocated pro rata to the three core programs and are included in Tables 5A and 5B.

TABLE 5A: FEC BUDGET--COST BY PROGRAM						
FY 2004-2006						
PROGRAM	FY 2004		FY 2005		FY 2006	
	\$	FEC %	\$	FEC %	\$	FEC %
PROMOTE DISCLOSURE	\$ 15,455,991	31%	\$ 15,577,897	30%	\$ 15,664,121	29%
OBTAIN COMPLIANCE	\$ 29,807,995	59%	\$ 26,331,855	51%	\$ 29,081,292	53%
PUBLIC FINANCING	\$ 4,449,432	9%	\$ 9,829,880	19%	\$ 9,854,586	18%
ELECTIONS ADMIN.	\$ 689,102	1%	\$ 2,096	0%	\$ -	0%
COMMISSION TOTAL	\$ 50,402,520		\$ 51,741,728		\$ 54,600,000	

TABLE 5B: FEC BUDGET--FTE BY PROGRAM						
FY 2004-2006						
PROGRAM	FY 2004		FY 2005		FY 2006	
	FTE	FEC %	FTE	FEC %	FTE	FEC %
PROMOTE DISCLOSURE	142.4	38%	143.6	37%	146.6	37%
OBTAIN COMPLIANCE	196.8	53%	174.6	45%	181.1	46%
PUBLIC FINANCING	30.6	8%	69.8	18%	63.3	16%
ELECTIONS ADMIN.	3.2	1%	0.0	0%	0.0	0%
COMMISSION TOTAL	372.9		388.0		391.0	

Personnel Allocations

Within the total authorized 391 FTE (unchanged from FY 2005) we have made some internal adjustments for 2006 because of changes in workload and mission. The preliminary staffing levels are essentially the same as FY 2005 with a few minor adjustments for the 2006 election cycle, and some changes in mission. The proposed FY 2006 staffing follows below.

Staffing in the Public Disclosure Division would be reduced by one FTE from the base of 14 FTE in recognition of a change in mission due to reduced demands for direct service in Public Records. This is offset somewhat with increased responsibility by the Division for the content of documents and information on the FEC website. ITD would continue as the technical provider of the website, but Disclosure would be responsible for updating and maintaining the content for all documents, other than the main disclosure database.

This proposed budget would also transfer the data coding and entry section of the IT Division to the Public Disclosure Division. As proposed, the coding and entry staff of 16 FTE would be transferred, as well as all equipment and furniture and related supplies. This proposal would consolidate the document imaging and processing staff with the document coding and entry staff in the same Division, placing all document processing functions in the same office.

The management of the Electronic Filing system will remain an ITD responsibility. Disclosure will continue to scan paper reports and documents into the system and perform all in-house coding and entry of documents. In addition, it will be responsible for maintaining all content on the website, with digital versions of FEC publications provided by the Information Division. As a result, the combined FTE for the newly constituted Disclosure Division will be 29 FTE.

Staffing will increase by one FTE in Information, in recognition of a change in mission as well: despite reduced direct demands for service in Information, the Division will move increasingly to digitizing and automating the FEC publications with on-demand printing of documents and publications possible, but more reliance on making information available on the

web and electronically. Outreach and educational efforts will also be increased to further improve voluntary compliance with the FECA, as amended by the BCRA. This change results in a full authorized staff of 15 FTE in Information in FY 2006.

The budget request provides funding for 40 FTE in Audit, down from the 43 required for three FTE of document clerks in FY 2004-2005 to process matching fund requests. The FY 2006 request includes 38 permanent FTE and up to two FTE of part-time or summer audit interns to meet the goal of 40-45 Title 2 audits per election cycle.

The FY 2006 request reflects increased demands in ITD for programming and analysis staff, with the data coding and entry staff transferred to the Disclosure Division. The original total of 55 FTE in ITD, less the data coding and entry, leaves a remaining programming and systems analysis staff of 39 FTE in FY 2006. See discussion of OGC staffing below.

While maintaining most of the BCRA supplemented staffing in Reports Analysis (RAD), at 54 FTE, and OGC (127 FTE), the request includes a reduction of one position in RAD and one position in OGC. The latter reflects the transfer of one position and the related function back to ITD (OGC IT technical position) but the end of the detail of one position to the Chairman's Office. Of the original 27 FTE increase in staffing due to BCRA, 11 positions were allocated to RAD and 10 to OGC.

While the additional staff in RAD (and significant overtime) has helped to improve the timeliness of review for the 2004 cycle, compared to the 2000 and 2002 cycles, the benefits derived from the development of the Automated Review Process should begin to be realized in FY 2006. Despite increasing total disbursements in federal elections and more reports being filed, RAD should be able to maintain reports review timeliness with the 54 FTE authorized.

OGC's ability to fulfill its responsibilities will not be impacted negatively by the loss of one FTE. The position that is being transferred out of OGC is an IT function that will reside in the IT division. Moreover, the IT division is in the process of recruiting a new employee who will be dedicated to serving OGC's IT support needs. Therefore, at the end of the day, OGC will not experience any loss in functionality due to the transfer of this FTE. The FY 2006 budget would still provide for nine additional FTE above the original base OGC staffing level of 118 FTE.

This proposal provides for full-year staffing of six FTE of Commissioner interns at the GS-9 level, one for each office (in addition to the three positions in each office and one additional EA for the Chairman and Vice Chairman). These are interns at the GS-9 level, but they are for the entire fiscal year and include full benefits. As in the FY 2005 Management Plan, each office will have three positions with an intern added, and the Chairman and Vice Chairman will have four plus the intern.

The remaining offices are funded at levels equivalent with the 391 FTE authorized for FY 2003 and 2004, and contained in the FY 2005 Management Plan.

Non-Personnel Cost Estimates

Key assumptions for non-personnel include the following:

- Rent includes the full cost of the newly acquired 5th floor and inflation of roughly 5% for all rent costs in FY 2006, with the storage space at 800 North Capitol Street eliminated, but does not include the 3rd floor, that was used for swing space during the construction on the 5th floor.
- IT funding includes the FY 2006 level provided for in the IT Strategic Plan for FY 2006, contained in the FY 2005 Budget Request and as modified by any reallocations in FY 2004—minor reductions were made in travel, printing, training, non-IT equipment, and similar object classes and should have no significant impact on the IT initiatives.
- Funds are included for the full financial audit required by the Accountability of Tax Dollars Act and support assistance to prepare for the Audit in FY 2006.
- Sufficient funds are included to continue to process all document retention plans and NARA document storage and retrieval requirements for the agency.
- Funds are included to continue educational and informational programs for the 2006 election cycle, and to provide for Current Services for all compliance activity, including audits and enforcement.

The preliminary estimate assumes continuation of the ADR and Administrative Fine Programs through at least the 2006 election cycle. It also provides a limited amount of funding for mediators, assuming that the mediation portion of the ADR program is activated in FY 2005 and 2006.

The request does include an additional \$65,000 for IG contract audit funds to supplement the FEC OIG audit capability. This was funded within the agreement with OMB at \$54,600,000 by reducing non-personnel costs across the agency by \$65,000 to conserve the 391 authorized FTE—73% of the FEC budget request is for personnel costs.

Continuation of Operations Estimate

OMB directed agencies to submit estimates for the cost of continuing operations after a catastrophic attack on Washington, D.C. as serious as, or worse than, the 911 attacks. This Justification includes, but separates out the cost, of continuity of operations funding (it is not included in our request for \$54.6 million and 391 authorized FTE). We are not requesting the funding, but have responded to Congressional and OMB requests for estimates of the full cost of continuity of operations funding in case of a large-scale catastrophic event in the Washington, D.C. area. Our estimate is over \$15.6 million to cover preparing for continuity of operations in such an event. Annual costs for succeeding years would rise from about \$4.5 million to over \$5

million per fiscal year. This estimate is included as a separate part of our justification and we are not actively seeking the funding.

A rough estimate from ITD was that it would require from \$10 to \$15 million for replicating all IT systems and providing for some sort of infrastructure for users at an off-site location. This is a relatively costly item for the FEC, due to the personnel intensive nature of the Commission as a regulatory agency and the large percentage of IT use in our disclosure systems and the other FEC programs and systems.

A preliminary breakdown of costs for FY 2006 would be as follows, with about five percent inflation provided for each fiscal year thereafter:

cost of ITD to duplicate systems infrastructure--\$8,000,000 for all hardware, software and direct IT support-related supplies and equipment;

cost of space, equipment and related support furniture and supplies for staff--\$2,000,000 (\$1,500,000 for 150 FTE at \$10,000 each for furniture and equipment, \$500,000 for larger items);

cost of supplies and materials of \$500,000 to initially stock and supply the facility, with smaller amounts each succeeding year to replenish and update stocks;

cost of rent for 60,000 square feet of space (computer room, support facilities and 150 FTE of staff for Commissioners, management, and key staffing positions, not the full 391 FTE)--\$2,700,000 for each year's rent and \$1,500,000 to acquire and make the space usable by the FEC;

cost of \$300,000 for FEC support costs (phones, copiers, faxes, pagers, etc.);

cost of space management by a contractor to manage and maintain the facility, estimated at \$250,000 per year;

cost of four FTE: \$188,500 for one onsite manager, plus two technical staff positions and one administrative staff position on-site (\$377,000 for 4 FTE--for one half of FY 2006 and full year each FY thereafter); and

cost of travel for FEC staff to visit and test the facility and the continuity of operations procedures, on set-up and, thereafter, periodically--\$200,000.

CONTINUITY OF OPERATIONS COSTS					
FEDERAL ELECTION COMMISSION FY 2006-2010					
ONE-TIME/STARTUP					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
ACQUIRE SITE AND SET-UP	\$ 1,500,000	\$ -	\$ -	\$ -	\$ -
EQUIP AND FURNISH FACILITY FOR STAFF (150 AT \$10,000 EACH)	\$ 1,500,000	\$ 50,000	\$ 55,000	\$ 60,000	\$ 65,000
MAJOR EQUIPMENT	\$ 500,000	\$ 50,000	\$ 55,000	\$ 60,000	\$ 65,000
DUPLICATE NECESSARY IT FACILITIES AND HARDWARE AND SOFTWARE	\$ 8,000,000	\$ 200,000	\$ 250,000	\$ 300,000	\$ 350,000
SUPPLIES AND MATERIALS	\$ 500,000	\$ 50,000	\$ 55,000	\$ 60,000	\$ 65,000
TOTAL ONE-TIME COSTS	\$ 12,000,000	\$ 350,000	\$ 415,000	\$ 480,000	\$ 545,000
ON-GOING ANNUAL COSTS					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
ANNUAL RENT AND UTILITIES	\$ 2,700,000	\$ 2,835,000	\$ 2,975,000	\$ 3,125,000	\$ 3,275,000
MANAGEMENT CONTRACT	\$ 250,000	\$ 262,500	\$ 275,000	\$ 290,000	\$ 304,500
FEC STAFF (FY 2006 = \$377,000 X .5)	\$ 188,500	\$ 400,000	\$ 420,000	\$ 441,000	\$ 463,000
FEC SUPPORT COSTS (PHONES, ETC.)	\$ 300,000	\$ 315,000	\$ 330,000	\$ 350,000	\$ 370,000
TRAVEL AND TEST COSTS	\$ 200,000	\$ 210,000	\$ 221,000	\$ 232,000	\$ 245,000
TOTAL ANNUAL COSTS	\$ 3,638,500	\$ 4,022,500	\$ 4,221,000	\$ 4,438,000	\$ 4,657,500
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
TOTAL COSTS FEC	\$ 15,638,500	\$ 4,372,500	\$ 4,636,000	\$ 4,918,000	\$ 5,202,500

A Brief History of the Federal Election Commission

As early as 1905, President Theodore Roosevelt recognized the need for campaign finance reform and called for legislation to ban corporate contributions for political purposes. In 1907, he proposed public funding of federal elections. Congress enacted several statutes between 1907 and 1966 to:

- limit the disproportionate influence of wealthy individuals and special interest groups on the outcome of federal elections;
- regulate spending in federal campaigns; and
- deter abuses by mandating public disclosure of campaign finances.

In 1971, Congress consolidated its earlier reform efforts in the Federal Election Campaign Act (FECA), instituting more stringent disclosure requirements for federal candidates, political parties and political action committees (PACs). It also set up the income tax check-off to provide for the financing of

Presidential general election campaigns and national party conventions. Still, without a central administrative authority, the campaign finance laws were difficult to enforce. Authority was split between the Government Accountability Office and the Clerk of the House and the Secretary of the Senate, with criminal enforcement in the Department of Justice. However, there was no real significant enforcement of campaign finance legislation for the most part until the post-Watergate period, after the 1972 elections.

Following reports of serious financial abuses in the 1972 Presidential campaign, Congress amended the FECA in 1974 to set limits on contributions by individuals, political parties, and PACs. It established the FEC as an independent agency to enforce the law, facilitate disclosure and administer the Presidential Public Funding Program. Amendments to the Internal Revenue Code that same year established the matching fund program for Presidential primary campaigns. Subsequent amendments in the late 1970's streamlined the disclosure process and expanded the role of political parties.

The Bipartisan Campaign Reform Act of 2002 (BCRA) amended the FECA further. It banned national parties from raising or spending non-federal funds (often called "soft money"), restricted funding of so-called issue ads, increased the contribution limits, and indexed certain limits for inflation.

What the FEC Does

The sanctity of the political process is key to public faith in the policy decisions made by the elected and executive branches of government. The FEC strives to provide the electorate with the capability to make educated, informed decisions in the political process based, in part, on where candidates for federal office derive their financial support, and with the confidence that those who disregard the laws regarding campaign financing and/or its requirements for public disclosure will suffer real and even-handed consequences for noncompliance.

The Commission's disclosure database, which contains millions of transactions, is available through the FEC's website. Last year, the FEC redesigned its website to make it more user-friendly. Interested citizens can select a profile of a committee's financial activity for each election cycle. Citizens also can access information on contributions by using a variety of search elements (e.g., donor's name, recipient's name, date, amount, or geographic location).

The sheer volume of data available to the public is staggering. The Commission defines its work in the context of election cycles, which include the preceding and actual election years—i.e., calendar years 2003 and 2004 constitute the 2004 election cycle. In any election cycle, nearly 8,000 committees file from between 85,000 to 90,000 reports, which contain information concerning between 2.5 to 3.0 million itemized contributions, as well as millions of other itemized disbursements, receipts, and other payments previously not entered into Commission databases. These reports now are filed electronically, except for Senate reports and other committees with less than \$50,000 in activity. At the same time, the FEC has the resources to audit less than one percent of the committees filing reports in any given cycle, and only has the capacity to actively pursue approximately two percent of total committees through its compliance (enforcement) process at any given time.

Campaign financing has skyrocketed since 1976, when the FEC regulated the disbursement by federal candidates and committees of \$310 million in the first publicly-funded elections. For the 2004 Presidential and Congressional elections, it is estimated that the FEC regulated the disbursement (spending) of approximately \$5.1 billion—an increase of more than 1,500 percent in just eight Presidential election cycles.

Total disbursements (spending) by federal committees and candidates in federal elections is the most significant measure of the total workload faced by the Commission. The figures below depict total spending in recent federal Presidential and Congressional election cycles. Spending in Presidential cycles has more than tripled and in Congressional cycles it has nearly tripled. As of the 2004 year-end reports processed by the FEC, over \$4.7 billion has already been disclosed for the 2004 cycle.

FEC FY 2006 BUDGET					
TOTAL DISBURSEMENTS IN FEDERAL ELECTIONS					
	PRESIDENTIAL ELECTION CYCLES				
	1988	1992	1996	2000	2004*
MILLIONS OF \$	\$ 1,607	\$ 2,051	\$ 2,738	\$ 3,750	\$ 4,728
PERCENT INCREASE		28%	33%	37%	36% **
	CONGRESSIONAL ELECTION CYCLES				
	1986	1990	1994	1998	2002
MILLIONS OF \$	\$ 1,094	\$ 1,115	\$ 1,708	\$ 2,021	\$ 3,116
PERCENT INCREASE		2%	53%	18%	54%
* AS OF 2004 YEAR-END REPORTS					
DIRECT PRESIDENTIAL SPENDING-PRIMARY/CONVENTIONS/GENERAL					
	PRESIDENTIAL ELECTION CYCLES				
	1988	1992	1996	2000	2004*
MILLIONS OF \$	\$ 368	\$ 366	\$ 426	\$ 520	\$ 786
PERCENT INCREASE		-1%	16%	22%	51%
* ACTUAL AS OF YEAR-END 2004 REPORTS ** PROJECTED INCREASE					

The FEC strives to foster and maintain an attitude of voluntary compliance with the rules of the campaign finance process through:

- facilitating public disclosure of campaign finance activity; providing information and policy guidance to the public, press, political committees, and elections officials on the law and Commission regulations;
- enforcing the FECA through audits, investigations, and civil litigation; and
- implementing the public funding programs for Presidential campaigns and conventions, including certification and audits of participating candidates and committees, and enforcement of public funding legislation.

How the FEC Accomplishes Its Mission

The FEC is structured to foster bipartisan decision-making. Its work is directed by six members, who are appointed by the President and confirmed by the Senate. Each member serves a 6-year term, and two seats are subject to appointment every two years. By law, no more than three Commissioners can be members of the same political party, and at least four votes are required for any official Commission action. Chairmanship of the Commission rotates among the members each year, with no member serving as Chairman more than once during his or her term.

The FEC's mission is to assure that the campaign finance process is fully disclosed and that the rules are effectively and fairly enforced. The FEC's overarching goal is to provide the electorate with the capability to make informed decisions as to where candidates for federal office derive their financial support, and with assurance that those who disregard the federal election campaign laws will suffer real and evenhanded consequences for noncompliance. To attain this desired outcome, the FEC strives to foster and maintain an attitude of voluntary compliance with the rules of the campaign finance process. Voluntary compliance and public confidence are necessary because limited budgetary resources preclude extensive efforts to enforce federal campaign laws.

The FEC's performance targets include a number of measures and indicators that provide insight into how well the Commission is achieving its mission. These measures provide a basis for comparing actual program results with established program performance goals, as required by the Government Performance and Results Act.

During FY 2004, the Commission continued to implement the Bipartisan Campaign Reform Act of 2002 and respond to Constitutional challenges to the new Act. In December 2003, the Supreme Court upheld the two principal features of BCRA: the regulation of soft money and of electioneering communications. The Court found unconstitutional the BCRA's ban on contributions from minors and the "choice provision," which provides that a party committee cannot make both coordinated and independent expenditures on behalf of a candidate after that candidate's general election nomination.

The FEC issued new regulations, rules, and advisory opinions, including candidate travel regulations that established uniform payment rates for all federal election travel on either government or private aircraft and other conveyances. As an interim measure, the Commission approved a Statement of Policy Regarding Disclosure of Closed Enforcement and Related Files that identified the categories or records that will be released to the public once enforcement cases are closed. The Commission presented 12 legislative recommendations to the President and the Congress for improving campaign finance laws.

In December 2003, the Commission unveiled its Enforcement Query System (EQS), a web-based search tool that allows users to find and examine public documents regarding closed Matters Under Review (MUR). Previously, these documents were available only on paper or microfilm at FEC headquarters in Washington, DC. The FEC also redesigned its website to better meet the needs of the regulated community, researchers, and the general public. In FY 2004, it recorded almost 100 million "hits" and 4.1 million visits from the public, an increase over previous years. In FY 2003, there had been 59 million "hits" and 2 million visits.

The electronic filing system and FEC management improvements have allowed the FEC to process the ever increasing amount of financial activity reported and disclosed in federal elections, and to improve the timeliness of processing and review of reports. For the 2004 election cycle, the median days required to process reports, and the days elapsed from filing of reports to 95% complete processing of those reports, both improved markedly from the 2002 cycle. In addition, the FEC completed review of 95% of reports filed three months more rapidly in the 2004 cycle, and a full six months more rapidly than the 2000 cycle. As timely disclosure of campaign finance information is one of the key measures of the FEC's success, these achievements are key indicators of the Commission's improved performance in the Disclosure program.

In FY 2004, the Audit Division completed a major effort to increase the number of non-Presidential committees audited in each election cycle. The goal was to complete 45-50 audits of committees or double the roughly 20-25 committees audited each election cycle in past years. In FY 2004, the division completed the last of 50 audits of these committees from the 2002 election cycle.

The Commission also continued to expand its enforcement presence and improve the timeliness of enforcement actions through the Alternative Dispute Resolution (ADR) and Administrative Fine Programs. These programs streamline the process for late and non-filers and for cases that would otherwise be dismissed due to lack of enforcement resources. In addition, the programs allow the General Counsel to focus resources on the more significant compliance issues and cases, and to improve the timeliness of the resolution of those cases. This has allowed the FEC to close a higher percentage of cases with substantive action, rather than dismissing them for staleness or lack of resources.

How the FEC Achieves Its Goals

Improvements in productivity, aided by IT enhancements, generally have enabled the FEC to keep pace with the large increases in federal campaign finance activity during recent election cycles. This activity has nearly doubled in the last 12 years. Total candidate and committee disbursements (spending) for a non-Presidential election cycle have increased from \$1.1 billion in 1986, to \$3.1 billion for the 2002 congressional cycle, a more than 184 percent increase. In Presidential election cycles, spending will exceed an estimated \$5 billion for the 2004 Presidential election cycle, compared to \$1.6 billion in the 1988 cycle.

The FEC receives information from approximately 8,000 committees filing over 90,000 reports and generating 2-3 million itemized transactions each cycle. Every election cycle since 1992 has seen a new record in total spending in federal elections for Congressional and Presidential elections. The FEC's electronic filing system offers the capability of instantly updating the database and expanding the types of information collected. The average annual cost is about \$1.5 million to maintain the electronic filing system. With the passage of mandatory electronic filing, FEC is beginning to see the benefits of timeliness and work process improvements, such a sophisticated system affords. For example, since the institution of mandatory electronic filing, the median time to process all documents has improved from 11 days (2000 cycle) to six days (2002 cycle) to two days for the 2004 cycle, as of September 30, 2004.

HISTORICAL DATA BY ELECTION CYCLE							
ELECTION CYCLE	DOCUMENTS						
	NUMBER FILED	PROCESSED DATA ENTRY			REPORTS REVIEWED		
		ENTERED	BACKLOG	PERCENT	REVIEWED	BACKLOG	PERCENT
2004 AS OF 9/30/2004	58,757	58,379	378	99%	50,190	8,567	85%
2002 AS OF 9/30/2002	49,245	47,195	2,050	96%	34,574	14,671	70%
2000 AS OF 9/30/2000	49,700	48,609	1,091	98%	32,173	17,527	65%
ELECTION CYCLE	DOCUMENTS						
	MEDIAN DAYS	DAYS TO 95% DONE	DOCS OVER 30 DAYS OLD		MEDIAN DAYS	DAYS TO 95% DONE	DOCS OVER 30 DAYS OLD
2004 AS OF 9/30/2004	2	17	42	AS OF 9/30/04	2	17	42
2002 AS OF 9/30/2002	6	50	522	AS OF 9/30/04	6	71	8
2000 AS OF 9/30/2000	11	42	157	AS OF 9/30/02	10	45	-
ELECTION CYCLE	TRANSACTIONS				DOCUMENTS		
	TOTAL PROCESSED	DATE REACHED 1.5 MILL.	FINAL TOTAL*		50,000 FILED	PROCESSED 99%	REVIEWED 95%
2004 AS OF 9/30/2004	2,146,177	31-May-04	3,064,055	2004	30-Jul-04	29-Feb-04	31-Mar-05
2002 AS OF 9/30/2002	1,475,684	31-Oct-02	2,445,253	2002	31-Oct-02	31-May-03	30-Jun-03
2000 AS OF 9/30/2000	1,649,941	31-Aug-00	2,454,413	2000	31-Oct-00	31-Mar-01	30-Sep-01
* AS OF 3/31/2005							

Program: Disclosure

Objectives

With regard to the Disclosure Program, the FEC seeks to:

- review and process the financial reports filed by political committees accurately and timely;
- make the reports and data readily accessible to the public, the media and the regulated community; and
- educate the public, the media and the regulated community about the legal requirements pertaining to disclosure, contributions limits and prohibitions, and the public financing of Presidential elections—the core elements of federal election campaign finance law.

Goals

To achieve the above objectives, the FEC will strive to accomplish the goals listed below.

Review and Processing of Reports

To achieve the accurate and timely review and processing of all reports, the FEC will:

- facilitate the electronic filing of reports by all political committees reaching a certain threshold, excluding Senate committees and the national parties' Senate campaign committees;
- continue to meet the 48-hour deadline for placing reports filed by political committees on the public record;
- review all reports filed for accuracy and complete disclosure;
- encourage filers to voluntarily correct the public record by requesting additional information; and
- code and enter into the FEC database the information contained in 95 percent of reports within 45 days of receipt at the FEC.

Public Disclosure and Dissemination of Campaign Finance Data

To ensure that campaign finance data are widely distributed, the FEC will:

- provide the public with Internet access to its disclosure database and digital images of the reports (except those of Senate candidates);
- operate a Public Records Office where reports and data are available in paper, microfilm and digital images (scanned from original reports) and where the public can access the disclosure database;
- operate a Press Office to assist the media in the wide disclosure and dissemination of campaign finance data; and
- compile and release comprehensive statistical information based on the reports filed by political committees (e.g., using the Internet and news releases).

Education About the Law

To ensure that the public, the media and the campaign community fully understand the federal election law, and that information about the law is readily available, the FEC will:

- operate a toll-free line and maintain a well-informed staff to answer phone inquiries about the FEC and federal election law;

- produce educational and information brochures and booklets to supplement the FEC Annual Reports;
- make FEC publications available to the public through the FEC Website, an automated fax service, and the U.S. mail;
- conduct technical workshops on the law throughout the country;
- provide policy guidance through the timely release of Advisory Opinions; and
- review and revise FEC regulations to clarify federal election law.

The resources needed to meet the objectives and goals of the Disclosure Program in FY 2006 are summarized in Table 6 (shown before allocation of management and administrative overhead).

TABLE 6: DISCLOSURE PROGRAM FTE (UNALLOCATED OVERHEAD)						
FY 2004-2006						
OFFICE/DIVISION	FY 2004		FY 2005		FY 2006	
	FTE	DIV. %	FTE	DIV. %	FTE	DIV. %
PUBLIC DISCLOSURE	12.5	100%	13.0	100%	13.0	45%
INFORMATION	15.6	100%	14.9	100%	15.0	100%
REPORTS ANALYSIS	47.0	93%	48.7	90%	48.6	90%
IT CODING AND ENTRY	14.7	27%	15.0	28%	16.0	55%
PROGRAM TOTAL	89.8		91.6		92.6	
TOTAL BUDGET PERCENT	24%		24%		24%	

Program: Compliance

Objectives

The compliance program is based on the premise that the FEC's first responsibility is to foster a willingness on the part of the regulated community to voluntarily comply with the law's reporting requirements, fundraising restrictions and public funding statutes. The FEC encourages voluntary compliance through education. To buttress its educational efforts, the Commission carries out a Compliance Program with the following objectives:

- audit those committees whose reports fail to meet threshold requirements for substantial compliance with the FECA; and
- enforce the law, in a timely and fair manner, against persons who violate the law.

Goals

For each of these objectives, the Commission defines the following goals:

Audits

In those cases where committees have failed to meet the threshold requirements for substantial compliance with the FECA and have failed to voluntarily correct errors or omissions on their reports, the Commission will conduct 40-45 audits “for cause” for the 2004 election cycle, pursuant to 2 U.S.C. §438(b).

The Commission’s budget contains the resources added in FY 2001 to establish a “stand alone” Title 2 Audit “For Cause” Program. This enables the FEC to conduct approximately 40-45 Title 2 audits per cycle, as opposed to the previous 20-25 per cycle. This program, along with other procedural changes, allows the Commission to maintain the Title 2 audit program, even during presidential election cycles.

This budget also will allow the Commission to meet its goal of processing federal matching funds and completing the Title 26 Presidential audits, within two years after the presidential elections (see Public Financing objective below).

Enforcement

Because the majority (65% since 1995) of the Commission’s caseload arises from complaints filed by parties outside the agency, the total caseload figure is not singularly affected by the number of FTE in enforcement. The number of FTE affects the proportion of the total enforcement caseload that can be handled substantively, as well as the proportion of the caseload that is active vs. inactive. (A substantive finding is a finding based on the merits of the matter [other than dismissal], including findings of no “reason-to-believe” the FECA has been violated.”)²

To reach the objective of enforcing the law in a timely and fair way, the Commission plans to:

- maintain a monthly average active caseload of at least 50 percent of the total caseload;
- close an estimated 75-100 cases. The Commission will close at least 60 percent of those cases through substantive Commission action;

² There is a significant difference between mere “dismissal” and a finding of no “reason-to-believe” the law has been violated. A finding of no “reason-to-believe” reflects affirmative Commission action based on its consideration of the merits of the particular matter. A dismissal, on the other hand, usually reflects action by the Commission based on an application of the Enforcement Priority System criteria to a particular case to determine whether the case merits the use of the Commission’s limited resources.

- initiate several civil actions in federal court under 2 U.S.C. 437g(a)(6) to enforce the FECA/BCRA, and defend against several actions in federal court challenging the Commission's determinations under the Administrative Fines Program pursuant to 2 U.S.C.437g(a)(4)(C)(iii). (It is impossible to predict the number of such actions in either category. In recent years, the Commission has initiated a maximum of six actions under 2 U.S.C. 437g(a)(6) in any given year, and defended a maximum of eight administrative fine determinations in any given year.); and
- maintain the Enforcement Priority System (EPS),³ a system through which the Commission identifies and assigns the more significant enforcement cases to staff, disposes of the less significant cases rapidly, and manages limited staff resources.

Administrative Fine Program and ADR

Based on a legislative mandate, the FEC implemented an Administrative Fine Program in July 2000 to reduce the OGC staff resources required to enforce timely filing of disclosure reports. The Administrative Fine Program frees Commission resources for more complex, substantive enforcement actions.

The Commission also implemented an Alternative Dispute Resolution (ADR) Program in FY 2001. The ADR Program is designed to promote compliance with the federal election law by encouraging settlements outside the traditional enforcement or litigation processes. The program aims to expedite resolution of enforcement matters and to reduce the cost of processing complaints, and, therefore, enhance overall FEC enforcement. This program also frees Commission resources for other, more significant, enforcement matters.

The FEC anticipates that the ADR and Administrative Fine Programs will continue to enable the Commission to assign OGC enforcement resources to more complex, substantive matters. These programs expanded the number of compliance actions that the Commission enforcement program could process and resolve.

These two programs have allowed the Commission to expand the scope and reach of the enforcement process, and to streamline the case resolution process for late and non-filer cases, as well as to expedite the resolution of cases under ADR that might not have been activated under the EPS process (and might never have reached substantive resolution under the formal enforcement process). The two new programs help to ensure that limited enforcement resources are focused on more substantive and significant cases, yet allow the Commission to pursue the successful resolution of a major increase in the total number of cases processed. This is in response to recommendations stemming from a formal review of the Federal Election Commission, and a desire by the Commission to improve the timeliness of FEC compliance actions. The Administrative Fine Program was also Congressionally-mandated in language in the Commission's appropriations legislation.

³ Under EPS, OGC evaluates enforcement cases based on carefully crafted, Commission-approved criteria to determine the relative significance of the allegations. EPS is a tool to match the seriousness of a particular case to the resources available to undertake an investigation of the matter.

The Commission has set goals of activating more enforcement cases and dismissing fewer cases without substantive action. The ultimate goals of the ADR and Administrative Fine Programs, the Case Management System, and other information technology enhancements to the enforcement program are to speed up the resolution of cases and to increase the number of cases closed with substantive Commission action. The resources needed to meet the objectives and goals of the Compliance Program in FY 2006 are summarized in Table 7.

TABLE 7: COMPLIANCE PROGRAM FTE (UNALLOCATED OVERHEAD)						
FY 2004-2006						
OFFICE/DIVISION	FY 2004		FY 2005		FY 2006	
	FTE	DIV. %	FTE	DIV. %	FTE	DIV. %
REPORTS ANALYSIS	3.4	7%	5.4	10%	5.4	10%
ADR	3.0	100%	3.0	100%	3.0	100%
OAR	3.1	100%	3.0	100%	3.0	100%
AUDIT	31.3	75%	14.0	33%	15.0	38%
OGC ENF AND LITIG	83.3	71%	86.0	68%	88.0	69%
PROGRAM TOTAL	124.1		111.4		114.4	
TOTAL BUDGET PERCENT	33%		29%		29%	

Program: Public Financing

Objectives

Under the Public Financing Program, the Commission seeks to:

- certify, on a timely basis, the eligibility of Presidential candidates and committees for payments;
- ensure timely U.S. Treasury payments to certified committees; and
- promote public trust by ensuring that all public monies are accounted for and expended in compliance with the FECA.

Goals

To reach the objectives described above, the Commission will:

- complete all public funding audits within two years of the 2004 Presidential general elections;
- successfully resolve all enforcement cases within the statutory time limits; and

- process the certifications quickly and accurately.

For FY 2006, the resources needed to complete any matters from the 2004 cycle and implement the Public Financing Program in the 2008 election cycle are summarized in Table 8.

TABLE 8: PUBLIC FINANCING PROGRAM FTE (UNALLOCATED OVERHEAD)						
FY 2004-2006						
	FY 2004		FY 2005		FY 2006	
OFFICE/DIVISION	FTE	DIV. %	FTE	DIV. %	FTE	DIV. %
AUDIT	10.5	25%	28.0	67%	25.0	63%
OGC PUBLIC FINANCING	8.8	7%	16.5	13%	15.0	12%
PROGRAM TOTAL	19.3		44.5		40.0	
TOTAL BUDGET PERCENT	5%		11%		10%	

Tables 9 and 10 depict the ITD staff and FEC policy and administrative staff prior to allocation to the three major programs.

TABLE 9: IT FTE (PRIOR TO ALLOCATION)						
FY 2004-2006						
	FY 2004		FY 2005		FY 2006	
OFFICE/DIVISION	FTE	DIV. %	FTE	DIV. %	FTE	DIV. %
IT DIVISION	39.3	73%	39.1	72%	39.0	100%
PROGRAM TOTAL	39.3		39.1		39.0	
TOTAL BUDGET PERCENT	11%		10%		10%	

Table 9 reflects the transfer of entry and coding staff to Public Disclosure in FY 2006.

TABLE 10: COMMISSION POLICY AND ADMIN. PROGRAM FTE						
FY 2004-2006						
OFFICE/DIVISION	FY 2004		FY 2005		FY 2006	
	FTE	DIV. %	FTE	DIV. %	FTE	DIV. %
COMMISSIONERS	21.8	100%	24.2	100%	26.0	100%
STAFF DIRECTOR	12.6	100%	15.1	100%	15.0	100%
BUDGET/PLANNING	1.8	100%	1.5	100%	2.0	100%
PERSONNEL	5.8	100%	7.0	100%	7.0	100%
PRESS OFFICE	4.7	100%	5.0	100%	5.0	100%
EEO OFFICE	1.0	100%	0.8	100%	1.0	100%
ADMINISTRATIVE	20.7	100%	20.7	100%	21.0	100%
IG OFFICE	4.0	100%	4.0	100%	4.0	100%
OGC ETHICS/LAW/FOIA	26.0	22%	23.1	18%	24.0	19%
PROGRAM TOTAL	98.4		101.4		105.0	
TOTAL BUDGET PERCENT	26%		26%		27%	



FEDERAL ELECTION COMMISSION

BUDGET REQUEST CONGRESSIONAL JUSTIFICATION

FOR FY 2007

**PRESENTED TO THE CONGRESS AND OMB
PURSUANT TO GPRA AND OMB A-11**

March 15, 2006

APPROPRIATION LANGUAGE (PROPOSED)***FEDERAL ELECTION COMMISSION******SALARIES AND EXPENSES***

For necessary expenses to carry out the provisions of the Federal Election Campaign Act of 1971, as amended, \$57,138,000, of which no less than \$6,500,000 shall be available for internal automated data processing systems, and of which not to exceed \$5,000 shall be available for reception and representation expenses; Provided, That, the FEC is authorized to establish, modify, charge, and collect registration fees for FEC hosted conferences; Provided further, That notwithstanding 31 U.S.C. 3302, funds received from fees charged to attend the campaign finance conferences shall be credited to and merged with this account, to be available without further appropriation for the costs of carrying out these conferences.

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Appendix A: FEC Strategic Plan FY 2004-2009
(FY 2005-2010 Strategic Plan currently being revised)

Appendix B: Unauthorized Appropriations Requests

Appendix C: Enforcement Profile, FY 1995-2005

FEDERAL ELECTION COMMISSION BUDGET REQUEST

EXECUTIVE SUMMARY

The Federal Election Commission (FEC) submits this performance budget request of \$57,138,000 for FY 2007. FY 2007 request includes an increase of \$2,985,000 (5.51%) over the enacted FY 2006 FEC appropriation of \$54,153,000 (\$54,700,000 reduced by \$547,000 by the one percent rescission). The FEC FY 2007 request conforms to the amount agreed upon with OMB during the budget formulation process with the understanding that the amount would not fully fund our 391 authorized level. With this level of funding, our FTE staffing level will be 375, a decrease of 16 FTE from our authorized level of 391. Staffing is reduced to meet the increased costs of doing business at projected 2007 prices. This staffing decrease is explained in more detail on pages 9-11.

This level of funding represents a continuation of FY 2006 operations, as adjusted for inflation, salary, and benefits increases. As such, it represents essentially a Current Services request for FY 2007. It represents an overall increase of 8.48% for non-personnel costs with no additional funds or staff for programs or new initiatives by the FEC.

TABLE 1: FY 2007 PERCENTAGE INCREASE

Category	FY 2006	Increase	FY 2007	Percent Increase
Personnel Costs	39,814,300	1,769,700	41,584,000	4.44%
Non-Personnel Costs	14,338,700	1,215,300	15,554,000	8.48%
Total	54,153,000	2,985,000	57,138,000	5.51%

Federal Election Commission Mission

The mission of the FEC is to assure that the campaign finance process is fully disclosed and that the rules are effectively and fairly enforced, fostering the electorate's faith in the integrity of the nation's political process.

The integrity of the election process is key to public faith in the policy decisions made by the elected and executive branches of government. Desired outcomes from the successful achievement of the FEC mission include providing the electorate with information about where candidates for federal office derive their financial support, and providing confidence that those who disregard the Federal Election Campaign Act of 1971, as

Moreover, two newer enforcement programs – the Administrative Fine Program and Alternative Dispute Resolution (ADR) – continue to receive accolades from the regulated community and have enabled the standard enforcement program to focus on more complex matters.

FEC Disclosure and Informational Outreach Programs

The FEC recognizes that with limited resources it must continue to emphasize voluntary compliance with FEC rules and regulations. In addition to fostering a belief that the campaign finance disclosure laws will be enforced when significant violations occur, the Commission has relied on effective outreach and informational programs to reduce violations due to lack of understanding of the law. Generally, FEC efforts, such as the 800 informational line, the campaign finance workshops and seminars, and the campaign guides and brochures, have all received high marks from the election community, the media, and the public. It is important to advise Congress that our campaign finance workshops and seminars for 2006 have been canceled due to unexpected budget constraints. In order to preserve these conferences in the future we are seeking legislative authority to charge and maintain registration fees to host these conferences. If legislative authority is not granted, we will require additional appropriated funds in order to host future conferences.

A recent hearing on the FEC enforcement process held by the House Administration Committee was noteworthy for the consistently high marks given by members to the FEC staff and informational programs. The FEC received high praise for its efforts to educate and inform the election community. The responsiveness, professionalism, and accuracy of the information provided by FEC staff was remarked upon numerous times.

In addition, the FEC disclosure programs are praised, and often FEC data and reports provide the foundation for analysis and further study by the media and elections interest groups. The FEC continues to operate a storefront disclosure office in Public Records, but also increasingly serves the media and the public through the FEC website and other electronically provided data and publications. While the Commission will continue to print and make available copies of brochures and publications, increasingly the needs of the election community, the public, and the press are served by electronically available data and reports. In FY 2005, the FEC electronic disclosure database and website received 4.5 million visits and 103 million hits by users seeking campaign finance data and FEC documents. The FEC continues to upgrade and enhance its website, the electronic filing system, and other electronic systems, and to adapt to changes required by BCRA or any other changes to the FECA.

The FEC, however, also continues to respond to many telephonic and written requests for information, data, and assistance in filing reports. The Information Division 800 line and the Reports Analysis Division (RAD) analysts assigned to specific committees will continue to be an integral part of the FEC's effort to inform and educate the public and to foster voluntary compliance with the filing requirements of the FECA. The FEC also

amended, (FECA) restrictions on campaign financing and/or its requirements for public disclosure will suffer real and evenhanded consequences for non-compliance.

In attaining these outcomes, the FEC strives to foster and maintain an attitude of voluntary compliance with the rules of the campaign finance process. The FEC realizes that voluntary compliance and public confidence are necessary because limited budgetary resources preclude massive efforts to enforce the FECA.

The FY 2007 budget request will enable the FEC to perform its statutory mission and meet its program goals and objectives. The FEC budget justification is structured to reflect its mission to administer and enforce the three main components of the FECA:

- The disclosure of campaign finance information;
- The enforcement of campaign laws; and
- The public financing of Presidential elections.

Programs, Goals and Objectives

To accomplish its mission, the FEC has established three core programs. For each core program, the Commission has defined objectives and goals that are achieved through several Commission line programs. The core programs are listed below, followed by the dollar amount and FTE required to achieve the objectives and goals under the FY 2007 Budget:

TABLE 2: CORE PROGRAMS	AMOUNT	FTE
Promoting Disclosure	\$ 21,855,285	143.4
Obtaining Compliance with FECA	\$ 26,997,705	177.2
Administering the Public Financing of Presidential Elections	\$ 8,285,010	54.4
FY 2007 Request	\$ 57,138,000	375

Building on Past Successes

In FY 2006, the FEC achieved major successes, including meeting statutory and court deadlines for the BCRA implementation, legal challenges to the BCRA, and enhanced compliance. These successes are the result of FEC efforts and support from our Congressional oversight committees. In addition, over the past several years, the Commission has employed more flexible and more effective enforcement tools in order to attain the goal of ensuring compliance with FECA. For example, the standard enforcement program now processes matters more quickly, there has been a strong and steady increase in the number of matters closed with substantive action, and the amount of cumulative annual civil penalties has remained at high levels for several years.

totaling \$534,000. By FY 2004, approximately four years after the implementation of the administrative fines and alternative dispute resolution programs, 250 cases were closed with civil penalties and fines totaling \$3.46 million. And in FY 2005, the FEC closed 372 cases with civil penalties and fines totaling \$2.0 million. Focusing on the civil penalties obtained in the standard enforcement program, FY 2005 marks the fourth consecutive year with more than \$1 million in penalties. A more detailed discussion is included in the FY 2005 FEC Enforcement Profile included as Appendix C of this submission.

The ADR program affords both the FEC and the respondents the opportunity to resolve cases more rapidly, and it provides an opportunity for the Commission to resolve cases more substantively. Since the inception of the program on October 1, 2000, through September 30, 2005, the ADR Office concluded agreements with respondents and formally closed 214 cases, 150 with substantive action (70%). ADRO has negotiated approximately \$310,000 in civil penalties since FY 2001. In FY 2005 alone, civil penalties negotiated through ADR totaled \$154,500. These 214 cases were generally closed within six months of referral to the ADRO program.

The Administrative Fine Program has closed 1,223 cases since FY 2000 and assessed civil penalties totaling \$2,309,454 in cases of late and non-filed reports. In FY 2005, cases were closed on average 201 days from when the reports were due to be filed at the FEC.

For the standard enforcement program itself, from FY 2001 to 2005, the FEC closed 140 out of 456 cases with civil penalties (31%). Of particular note is that the FEC's previous record of dismissing cases due to "staleness" has been all but eradicated. From FY 1995 to 2000, the FEC dismissed as "stale" 54% of cases. FY 2005 was the second year in a row in which the FEC did not dismiss a single case as stale. Clearly, from FY 2001 through 2005, the FEC has made significant improvements in the compliance program.

Impact of Continuing the OMB Level for FY 2007

As previously mentioned, the FY 2007 budget represents minimal increases from the final enacted funding for the Commission in FY 2006. This level of funding is required to provide the Commission with the resources necessary to perform its statutory responsibilities.

The funding level contained in this budget request will enable the Commission to:

- Continue to meet all requirements to implement and enforce the BCRA amendments;
- Complete all Presidential audits within two years of the election;
- Conduct 40-45 Title 2 "for cause" audits per election cycle;

utilizes the Internet and a monthly newsletter, *The Record*, to provide notice to filers and general assistance in the correct filing of reports.

There is recent evidence that the informational and educational outreach efforts, as well as the standardized and regularized Administrative Fine Program, have contributed toward the FEC reaching its goal of encouraging compliance with the campaign finance laws. The result is improved timeliness of filing of campaign finance reports and data. The percentage of committees filing required reports and filing them on time has improved during the last three election cycles. The FEC sees this as evidence that the disclosure and compliance programs are achieving one of our primary goals.

FEC Compliance Program

Nearly one-half of Commission resources in terms of dollars and FTE required to achieve the Commission's objectives and goals under the proposed FY 2007 Budget are dedicated to its compliance programs. In recent years, this has included an administrative fines program and alternative dispute resolution program, in addition to the standard enforcement program. Together, these three compliance programs have allowed the FEC to handle significantly more cases than it did several years ago.

The Commission's goal in using these three distinct compliance tools has been to increase the effectiveness of the enforcement program by activating more cases, closing more cases with substantive action, resolving some cases that would otherwise have been dismissed, and generally enforcing the law in a more thorough and efficient manner. Today, the Commission focuses its legal resources on the more complex enforcement matters, while using administrative processes to handle less complex matters.

The standard enforcement program, which is the responsibility of the Office of General Counsel, deals with the most complex cases and the most significant violations of the law. The General Counsel has undertaken a number of management and organizational initiatives in the last five years to increase the efficiency of processing matters under review (MURs). The results of these initiatives include a more current caseload and higher civil penalties. Although a much larger percentage of the Office's caseload now involves the most factually and legally complex cases, MURs have been processed (analyzed, investigated, conciliated) much more expeditiously. The Enforcement Profile at Appendix C shows the improvement in the time it takes to close a case. This is further demonstrated by the fact that a greater percentage of the assigned (or active) caseload now involves the most recent election cycle (i.e., 2003-2004). Moreover, the administrative fines and alternative dispute resolution programs have also helped to expedite resolution of less serious violations of the law.

This increased efficiency has not come at the cost of less effective enforcement. One measure of effectiveness is the cumulative annual amount of civil penalties and fines obtained. By this measure, the FEC's effectiveness continues to grow, as illustrated by the following: In 1999, prior to the introduction of the administrative fines and alternative dispute resolution programs, 262 cases were closed with civil penalties

- Maintain a timely and enhanced campaign finance disclosure program;
- Ensure that significant and timely efforts are made to enforce the FECA;
- Maintain and enhance existing Commission educational and informational outreach programs designed to foster knowledge of the FECA and voluntary compliance with the disclosure and limitations provisions of the statute;
- Continue disclosure programs that disseminate data and analytical reports to the media and private organizations for use in further analysis and more widespread disclosure of campaign finance information to the general public and the election community;
- Continue the Administrative Fine and Alternative Dispute Resolution programs; and
- Continue and enhance the automation of the reports review process.

To continue reaping the benefits of automation in our disclosure and compliance programs, it is imperative that the Commission receive the requested resources in FY 2007 to implement the remaining modules of the automated review of financial disclosure reports, to continue transforming our disclosure legacy systems into a new scalable application environment, and to initiate the architectural integration of enhanced systems to improve the accessibility of information.

Summary of Request and Differences from FY 2006

The following tables summarize the FY 2007 request and the differences from FY 2006. As noted in the Executive Summary, the net increase in FY 2007 is 5.51% over FY 2006 for a \$2,985,000 increase. The FEC is a personnel intensive agency with approximately 70% of our budget dedicated to staff costs. The increase in personnel costs results primarily from full funding of 375 FTE and the COLA. Although authorized 391 FTE in FY 2006, as spelled out in its FY 2006 Management Plan, the FEC will strive to reach approximately 382 FTE, with the reduction resulting from forced absorption of the full costs of the annualized FY 2006 COLA, the full cost of the FY 2007 COLA, and the Congressionally-mandated rescission. The Commission also had to fund some one-time unanticipated costs in FY 2006 that required it to take immediate action to slow spending. One way we accomplished this is by instituting an immediate hiring freeze, with exceptions for critical hires only.

TABLE 3: DIFFERENCE FY 2006 to FY 2007 BUDGET REQUEST	
FY 2006 Appropriation (post-rescission)	\$54,153,000
Increase in pay, benefits (COLAs, WIG, Step increases)	\$1,769,700
Step increases:	\$331,383
FY 2006 COLA of 3.44% annualized in 2007:	\$193,114
FY 2007 COLA of 3.5%:	\$1,047,906
Increase in overtime/transit subsidy/other	\$197,297
Net Increase in non-personnel costs	\$1,215,300
Increase in FY 2007 Request	\$2,985,000
Budget for FY 2007 Request	\$57,138,000

TABLE 4: FEC BUDGET BY DIVISION/OFFICE				
Division/Office	FY 2005 Actual	FY 2006 Planned	Changes	FY 2007 Request
Administrative Division	8,139,013	8,337,600	592,400	8,930,000
Audit Division	4,292,046	4,277,000	339,000	4,616,000
Information Division	1,468,659	1,598,320	231,680	1,830,000
Office of the General Counsel	14,606,642	15,411,500	603,500	16,015,000
Clearing House	977	-	-	-
Information Technology Division	11,056,593	10,375,480	1,084,520	11,460,000
Disclosure Division	936,549	1,989,200	(246,200)	1,743,000
Reports Analysis Division	3,690,253	3,817,565	142,435	3,960,000
Office of the Commissioners	2,944,919	2,967,500	271,500	3,239,000
Office of the Inspector General	567,927	723,946	(56,946)	667,000
Office of the Staff Director	1,566,466	1,749,900	(82,900)	1,667,000
Budget, Planning, and Management	226,018	401,208	46,792	448,000
Human Resources and Labor Relations	813,865	874,000	78,000	952,000
Press Office	509,016	516,327	51,673	568,000
Equal Employment Opportunity Office	151,639	406,700	(132,700)	274,000
Office of Alternative Dispute Resolution	355,715	372,754	36,246	409,000
Office of Administrative Review	320,928	334,000	26,000	360,000
COMMISSION TOTAL	51,647,225	54,153,000	2,985,000	57,138,000

We ended FY 2005 with 378 FTE. This reduced FTE level allowed us to meet the President's 2006 requested level, the one percent rescission mandated by Congress, and assisted us in funding some of the unanticipated costs we incurred. Further, with the improved efficiencies and changes in workload and mission that have resulted from our IT programs, we are able to further reduce FTE in certain areas. With expected FY 2006 attrition, careful attention to filling only critical vacancies, and through reorganization, our goal is to reach an FTE level of 382 by the end of FY 2006. We hope to reach our goal of 375 FTE by the end of FY 2007. We will adjust our activities to the reduced resource levels in such a manner so as not to jeopardize our critical mission of fostering the electorate's faith in the integrity of the nation's political process.

FEC Staffing and Workloads

FY 2007 covers the 2006 general election peak period and most of the post-election disclosure and enforcement work. Despite large increases in Commission workloads because of increasing federal election-related campaign finance activity, the FEC has relied on management initiatives and information technology advancements to improve productivity to meet the increasing workloads. Total disbursements (spending) in federal elections increased by over 1500% since 1976: from \$310 million to \$4.8 billion in the 2004 cycle. This has translated into workload increases such as a 32% increase in documents filed per cycle from 1984 to 2004, and an increase of 465% in the number of transactions entered into the database since the 1984 election cycle. The FEC has processed these record-level workloads with modest staff increases.

TABLE 5: FY 2007 CHANGES BY OBJECT CLASSIFICATION

OBJECT CLASSIFICATION		FY 2006 Planned	Changes	FY 2007 Request
11.10	SALARIES	30,258,837	1,451,163	31,710,000
11.30	SALARIES - OTHER	530,000	(42,000)	488,000
12.10	BENEFITS	8,128,900	310,100	8,439,000
12.10	TRANSIT SUBSIDY	360,000	40,000	400,000
11.50	OVERTIME	103,563	19,437	123,000
11.52	CASH AWARDS	433,000	(9,000)	424,000
PERSONNEL COSTS		39,814,300	1,769,700	41,584,000
21.01	TRAVEL	399,980	80,020	480,000
22.01	TRANS/THGS	40,000	10,000	50,000
23.11	GSA SPACE	3,825,000	192,000	4,017,000
23.21	COM. SPACE	70,000	5,000	75,000
23.31	EQUIP RENT	202,465	19,535	222,000
23.32	TELE LOCAL	190,000	20,000	210,000
23.33	LDIST/TELEG	17,000	-	17,000
23.34	TELE INTCTY	21,600	3,400	25,000
23.35	POSTAGE	195,500	19,500	215,000
24.01	PRINTING	265,460	104,040	369,500
24.02	MICROFILM	27,000	3,000	30,000
25.11	TRAINING	117,643	17,357	135,000
25.12	ADMIN EXP	186,735	(81,735)	105,000
25.13	DEP/TRANSC	50,000	10,000	60,000
25.14	IT CONTRACTS	2,413,000	382,000	2,795,000
25.21	CONTRACTS	1,258,737	(287,737)	971,000
25.23	REPAIR/MAIN	3,000	-	3,000
25.24	TUITION	4,347	5,653	10,000
25.31	FED AGENCY	792,000	137,000	929,000
25.32	FED TRAINING	60,425	46,575	107,000
25.41	FACIL MAINT	71,000	5,000	76,000
25.71	EQUIP/MAINT	247,394	15,606	263,000
25.72	SFT/HRDWRE	1,858,000	51,000	1,909,000
26.01	SUPPLIES	251,500	21,500	273,000
26.02	PUBLICATIONS	145,165	17,335	162,500
26.03	PUB SERVICES	391,500	19,500	411,000
31.01	EQP PURCH	68,249	(10,249)	58,000
31.02	CAPITALIZED IT	1,115,000	410,000	1,525,000
31.03	NON-CAPT IT	51,000	-	51,000
NON-PERSONNEL COSTS		14,338,700	1,215,300	15,554,000
TOTAL FEC		54,153,000	2,985,000	57,138,000

Despite the prospect of continuing increases in campaign finance activity in federal elections, the FEC has requested no additional resources for the disclosure, compliance, and enforcement programs. Given the total volume of money involved in the 2004 and 2006 election cycles, we believe that the FEC request for FY 2007 is fully supported and is a modest one.

FEC Mission

The FEC budget is results oriented and is based on the agency's mission to administer and to enforce the three main components of the Federal Election Campaign Act of 1971, as amended (FECA):

- the disclosure of campaign finance information;
- contribution limits and prohibitions; and
- the public financing of Presidential elections.¹

Programs

To accomplish this mission, the FEC has established three core programs:

- Promoting disclosure;
- Obtaining compliance with FECA; and
- Administering the public financing of Presidential elections.

Within each of the core programs, the Commission has defined specific objectives. To achieve these objectives, the Commission must accomplish certain strategic goals. To the extent that the agency succeeds in reaching these goals and objectives, it will fulfill its fundamental mission.

Overview of FEC Programs

Table 7 provides an overview of the FEC budget by program and FTE for each program. The FEC management and administrative overhead costs, including information technology costs and FTE, are allocated pro rata to the three core programs and are included in Table 7.

¹ Public funding of Presidential elections has three components: matching funds for qualified Presidential primary candidates; public grants for the Presidential nominees of major and minor parties; and public grants to major parties to run their national Presidential nominating conventions.

TABLE 6: FEC STAFFING			
DIVISION	FY 2005 Actual	FY 2006 Planned	FY 2007 Request
Administrative Division	20.7	21	21
Audit Division	40.8	37	38
Information Division	14.7	14	15
Office of the General Counsel	122.3	125	123
Information Technology Division	55.7	40	40
Disclosure Division	11.6	28	22
Reports Analysis Division	53.1	54	53
Office of the Commissioners	21.5	22	23
Office of the Inspector General	4	4	4
Office of the Staff Director	14.7	14.5	14
Office of Budget, Planning, and Management	1.6	2.1	2
Office of Human Resources and Labor Relations	7.1	7.6	8
Press Office	4.7	5	5
EEO Office	0.5	2	1
Office of Alternative Dispute Resolution	3	3	3
Office of Administrative Review	2.8	3	3
COMMISSION TOTAL	378.8	382.2	375

As a result of the dramatic increase in activity, our available resources dictate that we audit and investigate a relatively small number of committees. With approximately 8,000 committees filing reports each election cycle, the FEC audits about 45 committees per cycle, or about .6% of the filing universe. With an average active caseload of between 100 to 150 enforcement cases in any given month, on an annual basis approximately 60% of the complaints received by the FEC are activated.

The Commission has attempted to maximize the effectiveness of the compliance and enforcement programs through the increased use of technology and with management initiatives to better focus the resources available. Because of the modest size of many of our compliance and enforcement programs, any reduction in staffing below our revised Current Services base will jeopardize our basic mission and objectives.

Total campaign finance activity for the 2004 cycle was \$4.8 billion in total disbursements from 8,000 committees filing over 96,000 reports and generating 2.8 million itemized transactions. The 2006 cycle, a Congressional cycle, should be slightly lower in volume than the 2004 Presidential cycle. Nevertheless, total disbursements could exceed \$3 billion in 2006, with 8,000 committees filing 85,000 to 90,000 reports and from 2.5 to 3 million itemized transactions.

The FY 2007 request reflects increased demands in ITD for programming and analysis staff, with the data coding and entry staff transferred to the Disclosure Division. The original total of 55 FTE in ITD, less the data coding and entry, leaves a remaining programming and systems analysis staff of 40 FTE in FY 2007.

While maintaining most of the BCRA-supplemented staffing in RAD at 53 FTE and OGC at 123 FTE the request includes a reduction of one position in RAD and two positions in OGC. Neither RAD's nor OGC's ability to fulfill its responsibilities will be impacted significantly by the loss of these FTE. Of the original 27 FTE increase in staffing due to BCRA, 11 positions were allocated to RAD and 10 to OGC.

While the addition of staff in RAD after BCRA (as well as significant overtime) helped to improve the timeliness of review for the 2004 cycle, compared to the 2000 and 2002 cycles, the continued development of the Automated Review Process should help us realize additional benefits in FY 2007. Despite increasing total disbursements in federal elections and more reports being filed, RAD should be able to maintain reports-review timeliness with the 53 FTE authorized.

While OGC will lose two FTE from its FY 2006 level (four less than the FY 2006 budget request), it will still be five FTE above the original base staffing level of 118 FTE. At this new staffing level, it will still be able to perform all of its responsibilities under the FECA.

Non-Personnel Cost Estimates

Key assumptions for non-personnel include the following:

- The current lease on our building expires September 30, 2007. We have requested to remain at this location. This budget request assumes we will remain at 999 E Street, N.W., thus no moving costs have been requested in this budget. Should we be required to move, GSA advises we will need approximately \$1.2 to \$1.5 million in moving costs.
- This request funds IT with \$6.5 million. This is the minimum amount we require for IT projects. This amount is a "lights on" level that supports the basic mission only. It forgoes some necessary upgrades and desirable improvements. In future fiscal years we will require additional resources to complete necessary IT infrastructure upgrades and to make needed improvements in our disclosure and review functions. Any savings realized through the course of the year will be applied to our IT programs.
- Funds are included for the full financial audit required by the Accountability of Tax Dollars Act and support assistance to prepare for the Audit in FY 2007.
- The FEC will receive legislative authority to charge, maintain and use registration fees to fund FEC educational and informational conferences in

TABLE 7: FUNDING AND FTE BY PROGRAM

Programs	FY 2005		FY 2006		FY 2007	
	Amount	FTE	Amount	FTE	Amount	FTE
Promoting Disclosure	\$ 20,396,589	149.3	\$ 22,175,654	156.5	\$ 21,855,285	143.4
Obtaining Compliance	\$ 23,951,246	175.3	\$ 24,742,506	174.6	\$ 26,997,705	177.2
Public Financing	\$ 7,391,797	54.1	\$ 7,234,841	51.1	\$ 8,285,010	54.4
Elections Administration	\$ 2,096	-	N/A		N/A	
Total	\$ 51,741,728	378.8	\$ 54,153,000	382.2	\$ 57,138,000	375

Personnel Allocations

We have made some internal adjustments because of changes in workload and mission. The proposed FY 2007 staffing follows below with an explanation for the most significant changes only.

Staffing in the Public Disclosure Division would be reduced by two FTE, from the base of 13 FTE, in recognition of a change in mission due to reduced demands for direct service in Public Records and the public's increased use of the Internet to obtain information from the FEC. The Division is increasing its responsibility for providing content on the FEC website. ITD will continue as the technical provider of the website, but Disclosure will be responsible for updating and maintaining the content for all documents other than the main disclosure database.

This proposed budget would also recognize the transfer of the data coding and entry section of the IT Division to the Public Disclosure Division. As proposed, the coding and entry staff of 16 FTE would be transferred, as well as all equipment, furniture and related supplies. This proposal would consolidate into one Division the document imaging and processing staff with the document coding and entry staff, placing all document processing functions in the same office.

The management of the Electronic Filing system will remain an ITD responsibility. Disclosure will continue to scan paper reports and documents into the system and perform all in-house coding and entry of documents. In addition, it will be responsible for maintaining all content on the website, with digital versions of FEC publications provided by the Information Division. As a result, the combined FTE for the newly constituted Disclosure Division will be 22 FTE. The actual merging results in a reduction of seven FTE through attrition or retraining for other positions that may become available within the Commission.

2007. As noted earlier, the FEC canceled four conferences scheduled in 2006 due to budget constraints. If legislative authority is not received in FY 2007, additional funds will be needed in order to host those conferences.

- Assumes continuation of the ADR and Administrative Fine Programs.

A Brief History of the Federal Election Commission

As early as 1905, President Theodore Roosevelt recognized the need for campaign finance reform and called for legislation to ban corporate contributions for political purposes. In 1907, he proposed public funding of federal elections. Congress enacted several statutes between 1907 and 1966 to:

- limit the disproportionate influence of wealthy individuals and special interest groups on the outcome of federal elections;
- regulate spending in federal campaigns; and
- deter abuses by mandating public disclosure of campaign finances.

In 1971, Congress consolidated its earlier reform efforts in the Federal Election Campaign Act (FECA), instituting more stringent disclosure requirements for federal candidates, political parties and political action committees (PACs). It also set up the income tax check-off to provide for the financing of Presidential general election campaigns and national party conventions. Still, without a central administrative authority, the campaign finance laws were difficult to enforce. Authority was split between the then General Accounting Office and the Clerk of the House and the Secretary of the Senate, with criminal enforcement in the Department of Justice. However, there was no real significant enforcement of campaign finance legislation for the most part until the post-Watergate period, after the 1972 elections.

Following reports of serious financial abuses in the 1972 Presidential campaign, Congress amended the FECA in 1974 to set limits on contributions by individuals, political parties, and PACs. It established the FEC as an independent agency to enforce the law, facilitate disclosure and administer the Presidential Public Funding Program. Amendments to the Internal Revenue Code that same year established the matching fund program for Presidential primary campaigns. Subsequent amendments in the late 1970's streamlined the disclosure process and expanded the role of political parties.

The Bipartisan Campaign Reform Act of 2002 (BCRA) amended the FECA further. It banned national parties from raising or spending non-federal funds (often called "soft money"), restricted funding of so-called issue ads, increased the contribution limits, and indexed certain limits for inflation.

What the FEC Does

The FEC strives to provide the electorate with the capability to make educated, informed decisions in the political process based, in part, on where candidates for federal office derive

their financial support, and with the confidence that those who disregard the laws regarding campaign financing and/or its requirements for public disclosure will suffer real and even-handed consequences for noncompliance.

The Commission's disclosure database, which contains millions of transactions, is available through the FEC's website. Last year, the FEC redesigned its website to make it more user-friendly. Interested citizens can select a profile of a committee's financial activity for each election cycle. Citizens also can access information on contributions by using a variety of search elements (e.g., donor's name, recipient's name, date, amount, or geographic location).

The sheer volume of data available to the public is staggering. The Commission defines its work in the context of election cycles, which include the preceding and actual election years—i.e., calendar years 2003 and 2004 constitute the 2004 election cycle. In any election cycle, nearly 8,000 committees file around 96,000 reports containing information concerning between 2.5 to 3.0 million itemized contributions, as well as millions of other itemized disbursements, receipts, and other payments previously not entered into Commission databases. These reports now are filed electronically, except for Senate reports and other committees with less than \$50,000 in activity. At the same time, the FEC has the resources to audit less than one percent of the committees filing reports in any given cycle and only has the capacity to actively pursue approximately two percent of total committees through its compliance (enforcement) process at any given time.

Campaign financing has skyrocketed since 1976, when the FEC regulated the disbursement by federal candidates and committees of \$310 million in the first publicly funded elections. For the 2004 Presidential and Congressional elections, the FEC regulated \$4.8 billion in total disbursements—an increase of more than 1500% in just eight Presidential election cycles.

Total disbursements by federal committees and candidates in federal elections is the most significant measure of the total workload faced by the Commission. The figures below depict total spending in recent federal Presidential and Congressional election cycles. Spending in Presidential cycles has more than tripled, and in Congressional cycles it has nearly tripled.

DISBURSEMENTS IN PRESIDENTIAL ELECTIONS (\$ Millions)

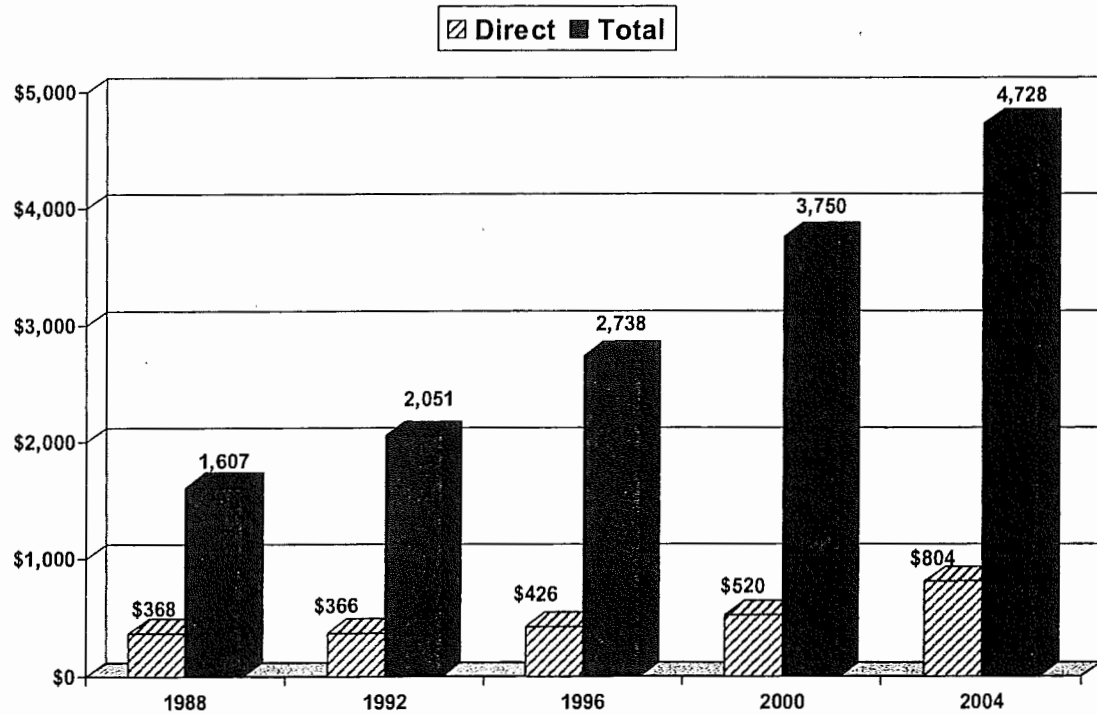


TABLE 8: TOTAL DISBURSEMENTS IN PRESIDENTIAL ELECTIONS

Election Cycle	1988	1992	1996	2000	2004
Millions of Dollars – Total	1,607	2,051	2,738	3,750	4,728
Percent Increase - Total		28%	33%	37%	26%
Millions of Dollars – Direct Spending	368	366	426	520	804
Percent Increase – Direct Spending		-1%	16%	22%	55%

DISBURSEMENTS IN CONGRESSIONAL ELECTIONS
(\$ Millions)

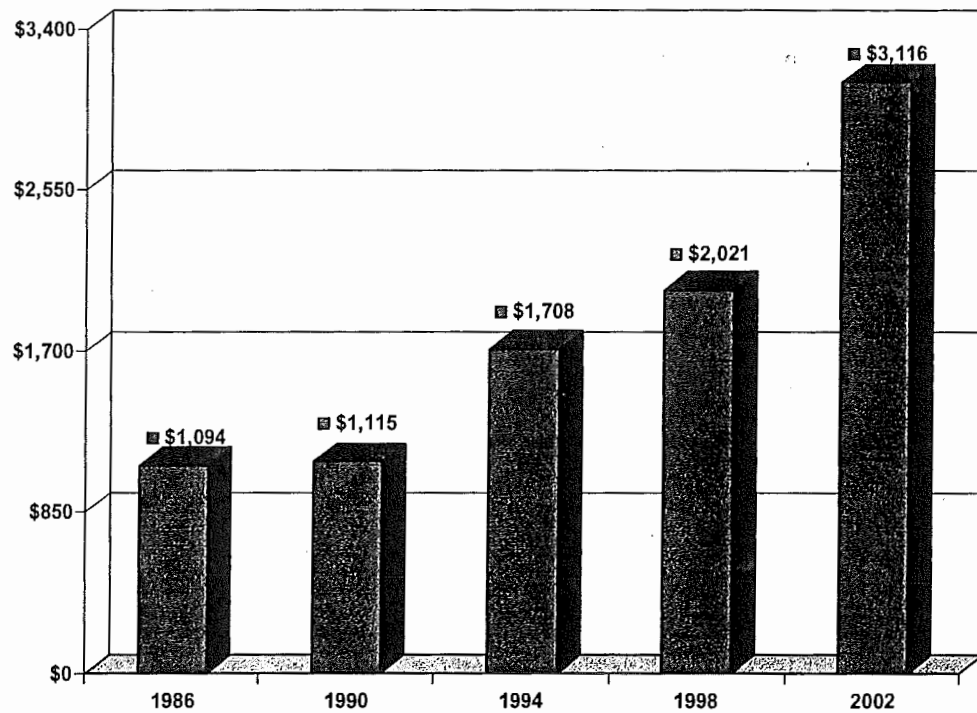


TABLE 9: TOTAL DISBURSEMENTS IN CONGRESSIONAL ELECTIONS

Election Cycle	1986	1990	1994	1998	2002
Millions of Dollars	1,094	1,115	1,708	2,021	3,116
Percent Increase		2%	53%	18%	54%

The FEC strives to foster and maintain an attitude of voluntary compliance with the rules of the campaign finance process through:

- facilitating public disclosure of campaign finance activity;
- providing information and policy guidance to the public, press, political committees, and elections officials on the law and Commission regulations;
- enforcing the FECA through audits, investigations, and civil litigation; and
- implementing the public funding programs for Presidential campaigns and conventions, including certification and audits of participating candidates and committees, and enforcement of public funding legislation.

How the FEC Achieves Its Goals

Improvements in productivity, aided by IT enhancements, generally have enabled the FEC to keep pace with the large increases in federal campaign finance activity during recent election cycles. This activity has nearly doubled in the last 12 years. Total candidate and committee disbursements for a non-Presidential election cycle have increased from \$1.1 billion, in 1986, to \$3.1 billion for the 2002 Congressional cycle, a more than 184 % increase. In Presidential election cycles, spending reached \$4.8 billion for the 2004 Presidential election cycle, compared to \$1.6 billion in the 1988 cycle.

The FEC receives information from approximately 8,000 committees filing over 96,000 reports and generating 2-3 million itemized transactions each cycle. Every election cycle since 1992 has seen a new record in total spending in federal elections for Congressional and Presidential elections. The FEC's electronic filing system offers the capability of instantly updating the database and expanding the types of information collected. The average annual cost is about \$1.5 million to maintain the electronic filing system. With the passage of mandatory electronic filing, FEC is beginning to see the benefits of timeliness and work process improvements such a sophisticated system affords. For example, since the institution of mandatory electronic filing, the median time to process all documents has improved from 11 days (2000 cycle) to six days (2002 cycle) to two days for the 2004 cycle, as of September 30, 2004.

TABLE 10: HISTORICAL DATA BY ELECTION CYCLE

Election Cycle	Documents Filed	Documents			Reports		
		Entered	Backlog	Percent	Reviewed	Backlog	Percent
2004	58,757	58,379	378	99%	50,190	8,567	85%
2002	49,245	47,195	2,050	96%	34,574	14,671	70%
2000	49,700	48,609	1,091	98%	32,173	17,527	65%
Election Cycle	Documents Filed	Documents			Reports		
		Median Days to Process	Days Until 95% Complete	Documents > 30 Days Old	Median Days to Process	Days Until 95% Complete	Documents > 30 Days Old
2004	58,757	2	17	42	2	17	42
2002	49,245	6	50	522	6	71	8
2000	49,700	11	42	157	10	45	-
Election Cycle	Documents Filed	Transactions			Reports		
		Processed	Date Reached 1.5 Million	Total	50,000 Filed	Processed 99%	Reviewed 95%
2004	58,757	2,146,177	31-May-04	3,064,055	30-Jul-04	29-Feb-04	31-Mar-05
2002	49,245	1,475,684	31-Oct-02	2,445,253	31-Oct-02	31-May-03	30-Jun-03
2000	49,700	1,649,941	31-Aug-00	2,454,413	31-Oct-00	31-Mar-01	30-Sep-01

Program: Disclosure

Objectives

With regard to the Disclosure Program, the FEC seeks to:

- make reports filed with the FEC available to the public within 48 hours;
- review and process the financial reports filed by political committees accurately and timely;
- respond to data requests from the press, public, and committees within 72 hours; and
- educate the public, the media and the regulated community about the legal requirements pertaining to disclosure, contributions limits and prohibitions, and the public financing of Presidential elections—the core elements of federal election campaign finance law.

Goals

To achieve the above objectives, the FEC will strive to accomplish the goals listed below.

Review and Processing of Reports

To achieve the accurate and timely review and processing of all reports, the FEC will:

- facilitate the electronic filing of reports by all political committees reaching a certain threshold, excluding Senate committees and the national parties' Senate campaign committees;
- continue to meet the 48-hour deadline for placing reports filed by political committees on the public record;
- review all reports filed for accuracy and complete disclosure;
- encourage filers to correct the public record voluntarily by requesting additional information; and
- code and enter into the FEC database the information contained in 95 % of reports within 45 days of receipt at the FEC.

Public Disclosure and Dissemination of Campaign Finance Data

To ensure that campaign finance data are widely distributed, the FEC will:

- provide the public with Internet access to its disclosure database and digital images of the reports (except those of Senate candidates);
- operate a Public Records Office where reports and data are available in paper, microfilm and digital images (scanned from original reports) and where the public can access the disclosure database;
- operate a Press Office to assist the media in the wide disclosure and dissemination of campaign finance data; and
- compile and release comprehensive statistical information based on the reports filed by political committees (e.g., using the Internet and news releases).

Education About the Law

To ensure that the public, the media, and the campaign community fully understand the federal election law and that information about the law is readily available, the FEC will:

- operate a toll-free line and maintain a well-informed staff to answer phone inquiries about the FEC and federal election law;
- produce educational and information brochures and booklets to supplement the FEC Annual Reports;
- make FEC publications available to the public through the FEC website, an automated fax service, and the U.S. mail;
- conduct technical workshops on the law throughout the country (note that the FEC has requested in this budget the legislative authority to charge, maintain and use registration fees to cover the costs of hosting these conferences);
- provide policy guidance through the timely release of advisory opinions; and
- review and revise FEC regulations to clarify federal election law.

Program: Compliance

Objectives

The compliance program is based on the premise that the FEC's first responsibility is to foster a willingness on the part of the regulated community to comply voluntarily with the law's reporting requirements, fundraising restrictions, and public funding statutes. The FEC encourages voluntary compliance through education. To buttress its educational efforts, the Commission carries out a compliance program with the following objectives:

- audit those committees whose reports fail to meet threshold requirements for substantial compliance with the FECA; and
- enforce the law, in a timely and fair manner, against persons who violate the law.

Goals

For each of these objectives, the Commission defines the following goals:

Audits

The Commission will conduct 40-45 audits "for cause" for the 2004 election cycle, pursuant to 2 U.S.C. §438(b), in those cases where committees have failed to meet the threshold requirements for substantial compliance with the FECA and have failed voluntarily to correct errors or omissions on their reports,

The Commission's budget contains the resources added in FY 2001 to establish a "stand alone" Title 2 Audit "For Cause" Program. This enables the FEC to conduct approximately 40-45 Title 2 audits per cycle, as opposed to the previous 20-25 per cycle. This program, along with other procedural changes, allows the Commission to maintain the Title 2 audit program, even during Presidential election cycles.

This budget also will allow the Commission to meet its goal of processing federal matching funds and completing the Title 26 Presidential audits within two years after the Presidential elections (see Public Financing objective below).

Enforcement

Because the majority (65% since 1995) of the Commission's caseload arises from complaints filed by parties outside the agency, the total caseload figure is not singularly

the cost of processing complaints, and, therefore, enhance overall FEC enforcement. This program also frees Commission resources for other, more significant, enforcement matters.

These two programs have allowed the Commission to expand the scope and reach of the enforcement process and to streamline the case resolution process for late and non-filer cases, as well as to expedite the resolution of cases under ADR that might not have been activated under the EPS process (and might never have reached substantive resolution under the formal enforcement process). They help to ensure that enforcement resources are focused on more substantive and significant cases yet allow the Commission to pursue the successful resolution of more cases. This is in response to recommendations stemming from a formal review of the Federal Election Commission, and a desire by the Commission to improve the timeliness of FEC compliance actions.

The Commission has set goals of activating more enforcement cases and dismissing fewer cases without substantive action. The ultimate goals of the ADR and Administrative Fine Programs, the Case Management System, and other information technology enhancements to the enforcement program are to speed up the resolution of cases and to increase the number of cases closed with substantive Commission action.

Program: Public Financing

Objectives

Under the Public Financing Program, the Commission seeks to:

- certify, on a timely basis, the eligibility of Presidential candidates and committees for payments;
- ensure timely U.S. Treasury payments to certified committees; and
- promote public trust by ensuring that all public monies are accounted for and expended in compliance with the FECA.

Goals

To reach the objectives described above, the Commission will:

- complete all public funding audits within two years of the 2004 Presidential general elections;
- successfully resolve all enforcement cases within the statutory time limits; and
- process the certifications quickly and accurately.

affected by the number of FTE in enforcement. The number of FTE affects the proportion of the total enforcement caseload that can be handled substantively, as well as the proportion of the caseload that is active vs. inactive.²

To reach the objective of enforcing the law in a timely and fair way, the Commission plans to:

- maintain a monthly average active caseload of at least 50% of the total caseload;
- close an estimated 75-100 cases. The Commission will close at least 60% of those cases through substantive Commission action;
- initiate several civil actions in federal court under 2 U.S.C. 437g(a)(6) to enforce the FECA/BCRA, and defend against several actions in federal court challenging the Commission's determinations under the Administrative Fine Program pursuant to 2 U.S.C.437g(a)(4)(C)(iii). (It is impossible to predict the number of such actions in either category. In recent years, the Commission has initiated a maximum of six actions under 2 U.S.C. 437g(a)(6) in any given year, and defended a maximum of eight administrative fine determinations in any given year.); and
- maintain the Enforcement Priority System (EPS),³ a system through which the Commission identifies and assigns the more significant enforcement cases to staff, disposes of the less significant cases rapidly, and manages limited staff resources.

Administrative Fine Program and ADR

Based on a legislative mandate, the FEC implemented an Administrative Fine Program in July 2000 to reduce the OGC staff resources required to enforce timely filing of disclosure reports. The Administrative Fine Program frees Commission resources for more complex, substantive enforcement actions.

The Commission also implemented an Alternative Dispute Resolution (ADR) Program in FY 2001. The ADR Program is designed to promote compliance with the federal election law by encouraging settlements outside the traditional enforcement or litigation processes. The program aims to expedite resolution of enforcement matters and to reduce

² A substantive finding is a finding based on the merits of the matter and includes findings of "no reason-to-believe" the FECA has been violated. The Commission can also dispose of a case through dismissal. There is a significant difference between "dismissal" and a finding of no "reason-to-believe" the law has been violated. A finding of no "no reason-to-believe" reflects affirmative Commission action based on its consideration of the merits of the particular matter. A dismissal, on the other hand, usually reflects action by the Commission based on an application of the Enforcement Priority System criteria to a particular case to determine whether the case merits the use of the Commission's resources.

³ Under EPS, OGC evaluates enforcement cases based on carefully crafted, Commission-approved criteria to determine the relative significance of the allegations. EPS is a tool to match the seriousness of a particular case to the resources available to undertake an investigation of the matter.



APPENDIX A
FEDERAL ELECTION COMMISSION
STRATEGIC PLAN

FY 2004-2009
(currently being revised)

PURSUANT TO GPRA AND OMB A-11

April 11, 2005

Submitted to Congress/OMB

statute through audits, investigations, and civil litigation. Administering and enforcing the FECA also involves implementing the public funding programs for Presidential campaigns and conventions. This includes certification and audits of participating candidates and committees, and enforcement of public funding legislation.

DESCRIPTION OF GOALS AND OBJECTIVES

To achieve this mission, the FEC has identified three major goals and objectives. The transfer of the Office of Election Administration to the Election Assistance Commission in FY 2004 reduced the number of objectives from four to three. The goals and objectives are tied to the remaining three core FEC programs:

Program I: Public Disclosure

Promoting disclosure of campaign finance reports required to be filed for public view under the FECA (Title 2): to promote full, accurate, and timely disclosure of campaign finance activity in federal elections, and to provide information and policy guidance on the FECA to the public, press, and those persons and entities required to comply with the FECA.

PROGRAM II: Compliance

Enforcing the disclosure and limitations provisions of the FECA (Title 2): to encourage and obtain voluntary compliance with the disclosure and limitations provisions of the FECA through enforcement of the FECA in a timely, consistent, and comprehensive manner.

PROGRAM III: Public Financing

Implementing the presidential election public funding provisions of the FECA (Title 26): to successfully administer the public funding provisions of the FECA under Title 26 U.S.C. for qualified candidates in presidential elections.

The successful outcome of these programs will lead to the achievement of the FEC mission to assure public confidence in the campaign finance system.

ACHIEVEMENT OF GOALS AND OBJECTIVES--EXPECTED OUTCOMES

The expected outcome is that the public has a high level of faith and trust in the fairness of the campaign finance and political processes. Program outcomes include:

Program I: Public Disclosure

Outcomes are:

- That sources of campaign funds in federal elections are accurately, fully, and timely disclosed to the public;
- That the electorate can make informed decisions as to the sources of campaign funds for candidates for federal office;
- That the electorate can readily obtain campaign finance information directly from the FEC in usable formats;

FEDERAL ELECTION COMMISSION STRATEGIC PLAN FY 2004-2009

As directed by the Congress, OMB, and the GPRA, the Strategic Plan provides the framework for how the Federal Election Commission (FEC) will use its resources to implement and enforce the campaign finance laws during the 2002 (FY 2002-2003), 2004 (FY 2004-2005), 2006 (FY 2006-2007) and 2008 (FY 2008-2009) election cycles.

The information in this plan is consistent with all currently available OMB guidance including OMB Circular A-11, as revised, per Transmittal Memorandums for all OMB A-11 Supplements. The plan will be modified in accordance with any future OMB guidance to agencies concerning compliance with the provisions of Public Law 103-62, the Government Performance and Results Act (GPRA.) The FEC Strategic Plan will be reviewed and revised in the FY 2007 Budget preparation process.

MISSION STATEMENT

The mission of the FEC is to assure that the campaign finance process is fully disclosed and that the rules are effectively and fairly enforced, fostering the electorate's faith in the integrity of the nation's political process.

The sanctity of the political process is key to public faith in the policy decisions made by the elected and executive branches of government. Desired outcomes from the successful achievement of this mission include providing the electorate with the capability to make educated, informed decisions in the political process based in part on where candidates for federal office derive their financial support, and the confidence that those who disregard the Federal Election Campaign Act of 1971, as amended, (FECA) restrictions on campaign financing and/or its requirements for public disclosure will suffer real and evenhanded consequences for non-compliance.

In attaining these outcomes, the FEC strives to foster and maintain an attitude of voluntary compliance with the rules of the campaign finance process. The FEC realizes that voluntary compliance and public confidence are necessary because limited budgetary resources preclude massive efforts to enforce the FECA.

In any election cycle, nearly 8,000 committees file between 85,000 to 90,000 reports, which contain between 2.5 to 3.0 million itemized processed transactions (contributions), as well as millions of other itemized disbursements, receipts and other payments previously not entered into Commission databases (now filed electronically except for Senate reports and other committees with less than \$50,000 in activity.) At the same time, the FEC has the resources to audit less than 1% of the committees filing reports in any given cycle, and only has the capacity to actively pursue between 1.5 to 2% of total committees through the compliance (enforcement) process (average monthly total of active cases since FY 1995) at any given time. As a result, voluntary compliance is the only possible method to ensure widespread compliance with the FECA in the campaign finance universe as it is configured currently.

Administering and enforcing the FECA includes facilitating public disclosure of campaign finance activity; providing information and policy guidance to the public, press, political committees, and elections officials on the law and Commission regulations; encouraging voluntary compliance with the disclosure and other requirements of the FECA; and enforcing the

after the election cycle. This is particularly true for presidential audits and enforcement cases arising from the public funding provisions of the FECA. Therefore, work undertaken or completed in any fiscal year will necessarily include work arising from two or more election cycles.

Strategic Plan and Election Cycles/Performance Plan and FY's

The Strategic Plan discusses performance goals and workloads by election cycle (unless otherwise noted), while the Performance Plan (now Performance Budget) relates the activities of the specific fiscal year (FY 2005) to work from several election cycles. The Performance Budget request also relates the performance goals for the FY to the levels of funding, relating the impact of reduced funding to the obtainable level of outcomes possible.

STRATEGIC PLAN FY 2004-2009 PERFORMANCE GOALS

The targets and goals included in this Strategic Plan are based on the assumption that the Commission receives an appropriation at least sufficient to fund 391 FTE in each FY, which is the Current Services Performance level.

Any level of funding less than the Current Services Performance level is a Minimal Performance level. This reduced level of funding results in a reduced level of performance and jeopardizes the achievement of our mission and our major program objectives. The reduced performance is reflected in several ways. For example, there would be slippage of the time frames for completion of data collection, reports review, and referrals for audits and/or compliance actions, as well as for responsiveness to requests for information and data inquiries.

Reduced performance would also be reflected in delays in completing the milestones for the IT programs set forth in our IT Strategic Plan. In some instances, less would be accomplished as well as delays experienced. Minimal funding levels would also jeopardize the operations of the ADR and the administrative fine programs and the stand-alone Title 2 audit program (audits of committees not receiving federal funds).

The FEC has experienced a more than 1366% percent increase in total campaign finance activity since 1976 (from \$300 million in total disbursements in federal elections in 1976 to over \$4.4 billion in the 2004 election.) This increase in total financial activity has led to a 27% increase in total documents filed in an election cycle since the 1984 cycle, as well as a 400% increase in itemized transactions entered into the disclosure databases since 1984. The Commission has met these increases with a relatively static level of staffing though the use of management initiatives, productivity increases, and the use of technological improvements.

It is vital to the successful achievement of the FEC mission and major program objectives that the Current Services Performance level is funded. The goals identified below reflect the Current Services Performance level.

PROGRAM I. DISCLOSURE

To meet the goal that the public is fully informed about campaign finance sources, during each federal election cycle (primaries and the general elections) the Commission will accomplish the following:

- A. Place between 85,000 to 90,000 reports and 20,000 to 25,000 statements from 7,500 to 8,000 committees filing reports on the public record each election cycle:

- That the press and media can use FEC data to more widely disclose campaign finance information;
- That the public and the campaign finance community can easily obtain policy guidance and assistance in understanding and complying with the FECA.

Program II: Compliance

Outcomes are:

- That the public has confidence that the FECA is fairly and swiftly enforced;
- That the election community has a high level of confidence that the FECA is fairly enforced, resulting in a high level of voluntary compliance with the FECA;
- That the election community believes that there are real, timely consequences for violation of the disclosure and limitation provisions of the FECA;
- That FEC enforcement resources are focused on the most salient and significant compliance concerns under the FECA.

Program III: Public Financing

Outcomes are:

- That the successful implementation of the public funding provisions of the FECA continues for each presidential election;
- That all federal funds disbursed in presidential elections are properly certified and accounted for by eligible candidates;
- That all audits and enforcement actions related to public funding are completed in a fair and timely fashion;
- That there are real and timely consequences for failure to comply with the FECA requirements under Title 26.

RELATIONSHIP BETWEEN PERFORMANCE GOALS IN THE ANNUAL PERFORMANCE PLAN (BUDGET) AND GOALS AND OBJECTIVES IN THE STRATEGIC PLAN.

Definition of an Election Cycle

The Commission defines its work in the context of election cycles. An election cycle is defined generally as the preceding and actual election years, i.e., calendar years 2003 and 2004 constitute the 2004 election cycle.

In the Strategic Plan, the FEC notes that the 2004 election occurs in FY 2005, and that the break in fiscal years (October 1) comes in the middle of the peak pre-election period when the FEC experiences its heaviest workloads for many programs. The flow of work for programs such as audits and enforcement actions is such that action on the referrals for audits and compliance actions from the 2004 election most likely will not be finalized for three to four years

2. 60,000 inquiries in Information, primarily over the toll-free line;
3. 16,000 requests in the Press Office, and 100 FOIA requests;
4. 10,000 requesters receive copies of materials and publications;
5. 75,000 computer indices and printouts.

E. Respond to Advisory Opinion requests and operates informational outreach programs:

1. Respond to 100% of 50 to 60 Advisory Opinion requests per cycle within 60 and 20-day statutory deadlines;
2. Publish an Annual Report each year, the *FEC Record* monthly, and provide prior notice of filing dates to filers;
3. Make FEC disclosure forms and copies of FECA and FEC Regulations available to filers electronically and in print form;
4. Produce additional informational and educational publications and videos such as campaign guides, brochures, and other pamphlets;
5. Conduct five to six campaign finance workshops to educate filers, and monthly roundtables on FECA issues.

PROGRAM II. COMPLIANCE

To meet the goal that the public is assured of impartial and timely enforcement of FECA, the Commission will accomplish the following:

A. Make 100-125 referrals from the Reports Analysis Division for potential audit or enforcement per cycle:

1. Refer 75 committees for potential audits under 2 U.S.C. 438(b) per cycle, with 50 in the second year of cycle (e.g. FY 2005 for 2004 cycle) and all audit referrals of candidate committees within the statutory deadline of six months from the general election;
2. Refer 45 to 50 committees for potential enforcement actions under 2 U.S.C. 437(g) per cycle.

B. Complete audits of committees referred under 2 U.S.C. 438(b), estimated 45-50 for each cycle:

1. 20-25 unauthorized (non-candidate) committees;
2. 20-25 authorized (candidate) committees;
3. Also complete review of all audits for legal issues.

C. Process enforcement workload arising from complaints and the internal review and referral system for each cycle:

1. Complete coding and entry of summary data from documents and statements filed each cycle and meet the 48 hour deadline for making documents public for 99% of those filed;
2. Complete coding and entry of itemized data from reports filed, including 2.5 to 3.0 million itemized transactions per cycle, completing 95% within 45 days of reports being received at the FEC, and all reports processed within a median 7 days from receipt at the commission;
3. Complete the review of all reports filed and refer all potential enforcement actions and audits each cycle, 60% of reviews within 90 days of receipt (quarterly filing periods);
4. Issue 20,000 Requests for Additional Information (RFAI's) per cycle to correct the public record, 60% within 90 days of receipt of report (contacting filers within 90 days minimizes repetitious errors which tend to further burden the disclosure process);
5. Respond to requests for assistance from 40,000 filers per cycle.

B. Produce analytical summaries and releases of campaign finance data in summary form, and in the aggregate and by individual committees, periodically prior to each election, and in summary form after each general election:

1. Produce analytical releases after each election year quarterly report and the pre-general election report;
2. Produce Summary statistical analyses after each election cycle: Reports on Financial Activity;
3. Conduct a database accuracy review monthly for summary and itemized data entry.

C. Make FEC database and data available to requesters directly through on-line, website access:

1. Provide free access to the FEC disclosure database to all state elections offices wishing to participate and grant waivers for state filings for participating states: currently 48 states;
2. Provide timely on-line access to the FEC disclosure database to the public through the FEC website and the storefront Public Records Office;
3. Make electronic filings available over the Internet upon receipt and processing at the FEC and make images of non-electronically filed reports also viewable on the FEC Web site: 4 million visits and over 100 million hits per cycle on the FEC Disclosure site.

D. Respond to over 200,000 requests for data, information, copies of reports or indices, and other requests for assistance each cycle (not including visits and hits on the FEC website):

1. 50,000 requests in Public Records;

Within three years of each presidential general election:

B. Complete legal review of presidential audits:

1. Review legal issues arising from primary audits, at least four convention audits, and two or three general election audits;
2. Resolve repayment questions for committees receiving federal funds (always meeting three year statute of limitations).

C. Initiate enforcement cases involving presidential committees referred through internal referral process or complaint.

D. Provide Congress with a report on the public funding programs.

Within four years of each presidential general election:

E. Complete initial actions on enforcement cases involving presidential committees referred through internal process or complaint.

KEY FACTORS THAT COULD AFFECT ACHIEVEMENT OF GOALS AND OBJECTIVES

External factors that have the greatest potential to significantly and adversely affect our ability to achieve our statutory mission are those that affect the general application of the FECA itself. Such factors include, but are not limited to:

- The number of candidates who run for federal office and the amount of money involved in the political process;
- Significant and substantive amendment to the FECA itself, which could either close present "loopholes" in the law and strengthen the FEC's enforcement and disclosure operations, or changes loosening the regulations regarding the limits and restrictions on fundraising and reporting (recent BCRA amendments were an example of significant amendments to the FECA);
- Definitive Supreme Court judicial review of presently contested elements of the FECA, e.g. the definition of "express advocacy," the legal determination of what activity by a group triggers registration as a committee (and thus reporting requirements and limitation provisions), and similar controversial elements of the present regulatory regime (the BCRA amendments to the FECA resolved some issues, left others still open, and created some potential new issues to be resolved);
- The solvency of the Presidential Election Campaign Fund and, as a consequence, the determination of presidential candidates to opt either in or out of the public funding programs;
- Significant increases or decreases in the level of competition in federal election campaigns, the volume and intensity of fundraising for federal campaigns, and the general political attitude, interest, and awareness of the public and the electorate, which can greatly influence the tone and competitiveness of elections;

1. Process 175-200 complaints plus 45-50 internal referrals during the two-year period;
 2. Assuming an average total caseload of 125-150 cases in any given month, maintain an average active caseload of 50% of total caseload;
 3. Activate 50% of incoming cases on average over the election cycle.
- D. Close 175-200 cases in each election cycle, at least 50% with substantive Commission action. (This 50% represents cases in which the Commission has reached a substantive finding on the merits of the matter, other than dismissal, including findings of no RTB.)
- E. Conserve limited enforcement resources for more complex, substantive cases by continuing an administrative fine program for late and non-filing committees, removing non-filer enforcement from the standard complex enforcement process; close 375-400 cases in the second year of the cycle (e.g. FY 2005 for the 2004 cycle.)
- F. Conserve additional enforcement resources through the continued operation of the ADR program, designed to streamline the resolution of administrative complaints and Title 2 audit referrals without resorting to the more complex, substantive enforcement procedures. Close 75-100 cases per election cycles, including any cases referred for mediation.
- G. Pursue resolution of cases through litigation and defend the FEC and FECA in suits brought by other parties to fully enforce the FECA:
1. Initiate litigation in an estimated 7-10 offensive suits per cycle (always meeting five-year statute of limitations);
 2. Defend the FEC and FECA in 20-30 suits initiated per cycle.

PROGRAM III. PUBLIC FINANCING

To meet the goal that the public funding programs under the FECA are fully implemented and fairly and speedily enforced, the Commission will accomplish the following:

Within two years of each presidential general election:

- A. Complete the certification of payments to and audits of publicly funded candidates in presidential elections:
1. Process monthly certification requests for federal matching funds (estimated 10-12 candidates in a presidential election with an incumbent, 15-17 candidates in an "open" presidential election);
 2. Audit primary candidates receiving federal matching funds (same criteria for number of candidates);
 3. Audit at least four (major) national party convention and host committees receiving federal funds for nominating conventions, and any eligible minor party convention committees;
 4. Audit general election candidate committees of two major parties (and any eligible minor parties).

STRATEGIC PLANNING ISSUES FY 2004-2009

Over the next several election cycles, the FEC will be dealing with several major issues as it evaluates the annual performance of the agency and prepares budget requests. Some of the most significant issues include:

Public Financing Issues

- The status and sufficiency of the presidential election campaign fund in the 2004 and 2008 presidential elections;
- The role of the FEC in a mixed environment of publicly funded and privately funded presidential campaigns in the next two cycles (scope of audits, etc.);
- The impact of a potential severe shortfall of available public funds during a presidential election cycle;
- The possible collapse of public funding due to either the choice of the candidates and/or the shortfall of the fund.

Filing and Processing Issues

- The change in IT resources from the coding and entry-processing environment to the electronic filing environment (with a mix of the electronic filers and the Senate and smaller committees continuing to file under the manual system);
- The impact of the on-going issue of the Senate filings, which represent a significant segment of the filing universe that is not electronically filed;
- Maintaining consistency of data from electronic and non-electronic filers in the disclosure databases;

Reports Review Issues

- The implementation the automated review system and processes by the 2006 election cycle;
- The resolution of significant reports review backlogs during the 2000 and 2002 election cycles: additional staff resources and the automated review procedures should relieve the workload pressure in RAD. RAD has significantly improved the timeliness of reports review in the 2004 cycle-to-date;
- The role of the review of reports and audits in the disclosure and compliance programs of the Commission

-- Major increases or decreases in the level of funding appropriated to the FEC and the presence and nature of any restrictions on the use of those funds;

All of these factors can influence the amount of money to be regulated by the FEC each election cycle, driving FEC workloads such as the number of reports filed and transactions to be processed, the volume of requests for information, data, and assistance made to the FEC, and the number of complaints filed with the Commission. Of all these factors, the status of the presidential fund and the appropriations level for the FEC are perhaps the most salient currently.

Record levels of campaign finance activity in the past six election cycles, coupled with available budgetary resources, have severely strained the Commission's ability to meet mission objectives and performance goals. The status of the presidential fund may become an active factor in future elections, because of declining public support of the check-off and absent any legislative fix to index income into the fund. Several major candidates have chosen not to participate in the public financing process in the presidential primaries for the 2000 and 2004 election cycles.

FEC PROGRAM EVALUATION ACTIVITIES

The FEC has a planning and budgeting system which is based on a detailed Management Information System (MIS), and is driven by program based workloads and activity data, outputs, and productivity measures. In an on-going evaluation process, the monthly MIS reports and FY based productivity measures are used to evaluate program efficiency and effectiveness. The FEC has also married the A-123 and A-127 processes, under the Federal Managers' Financial Integrity Act, to ongoing program management activities, and has striven to relate the annual A-123 reports to the FEC Budget requests.

The evaluation of program resources, mainly staff resources, and the resulting program outputs and productivity measures are used in the internal planning and budget formulation processes. Commission Management Plans and Budget Requests are workload-driven, and related to resource levels and expected program activity levels.

As a personnel intensive agency, about 70% of the Commission's resources are staff costs, and the remaining 30% represents mainly rent and other direct support for that staff. Using the MIS and Summary MIS reports, both produced on a monthly basis, all workloads, program outputs, productivity, and effectiveness and efficiency are being monitored, in monthly Management Reports. Several other tracking systems monitor the status of reports processing (filing, filming, data coding and entry, and reports review), enforcement and litigation activities, Advisory Opinions and regulatory rule making, and audit progress. The Enforcement Priority System continually adjusts active enforcement caseloads to match available resources.

A major, multiyear effort to institute a Case Management system for OGC to track enforcement cases resulted in the system becoming fully operational in FY 2003. This system monitors case status and tracks staff time by case for all OGC programs, not just enforcement. The implementation of the Case Management system provides a significant tool for the FEC to monitor resource usage and case progress.

The Performance Goals contained in this Strategic Plan and the annual FY based Performance Budgets are tied directly to the Commission's workload and activity measures and the level of funding requested. The on-going program activity monitoring and output measurement efforts enable the Commission to determine if its performance goals are being achieved. This provides the basis for future evaluation efforts.

Information and Disclosure Issues

- Possible changes in staff allocations in response programs because of the reduction of direct inquiries to FEC staff due to the use of IT and other technology to process demands for information, reports and data;
- Impact of possible FEC reorganization and restructuring of FEC programs in response to changing demands for information and data and related impact of BCRA changes on outreach efforts;
- Review of efficacy and scope of FEC outreach efforts to educate and inform the public and the filing community post-BCRA.

Compliance Issues

- Role of administrative fine program: extension of program beyond December 31, 2005; impact on filing and reporting of disclosure data and on RAD review programs;
- Scope of Title 2, or 438(b), Discretionary Audit program: expand number of audits, continue limited scope audit program
- Continuing role of the ADR program in the compliance and enforcement programs.
- Impact of BCRA implementation on compliance programs.

Enforcement Issues

- Impact of ADR and administrative fine programs on OGC enforcement workloads; impact of automated review and adjustments to RAD thresholds on enforcement workloads;
- Impact of BCRA changes on enforcement workloads and programs;
- Efficacy of litigation and enforcement—setting precedents and building a case record in significant areas of the FECA and fostering compliance with the FECA, particularly with respect to new issues raised by the BCRA amendments to the FECA

Regulations and Policy Issues

- Areas of the FECA and/or Regulations that need to be clarified, or revisited for possible revision;
- Continuing impact of BCRA amendments and Supreme Court decision on FEC regulations and legal policy issues.



APPENDIX B

UNAUTHORIZED APPROPRIATIONS REQUESTS

March 15, 2006

Submitted to Congress/OMB

Pursuant to directions outlined in the House Appropriations Committee report on the FY 2002 Treasury, Postal Service, and General Government Appropriations bill, the Federal Election Commission reports the following information:

APPROPRIATIONS NOT AUTHORIZED BY LAW

	Last year of Authorization	Authorization Level	Appropriation In Last Year Authorized	Appropriation Request in FY 2007
Federal Election Commission	1981	\$9,400,000	\$9,662,000	\$57,138,000



**FISCAL YEAR 2008
PERFORMANCE BUDGET
FOR THE
FEDERAL ELECTION COMMISSION (FEC)
(WWW.FEC.GOV)**

Administering and Enforcing Federal Campaign Finance Laws

CONGRESSIONAL SUBMISSION

FEBRUARY 5, 2007

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APPENDICES

Appendix A, Unauthorized Appropriations Requests

Appendix B, Strategic Information Technology Initiatives

Appendix C, Enforcement Profile for FYs 1995 – 2005

1.0 - EXECUTIVE SUMMARY

The mission of the Federal Election Commission (FEC) is to ensure that the campaign finance process is fully disclosed and that all federal campaign finance laws and FEC regulations are effectively and fairly enforced. The FEC fulfills this mission through education and outreach, conciliation, rulemaking, advisory opinions, and when necessary, litigation. In addition to administering and enforcing the limits, prohibitions and reporting requirements of the Federal Election Campaign Act, as amended (FECA), the Commission also administers and oversees the Presidential Election Campaign Fund and the Presidential Primary Matching Payment Account Fund, which are financed by the voluntary tax check-off provided on Federal income tax returns.

This year's performance budget will be used as the baseline for developing a fully integrated strategic plan with measurable performance goals that will carry the agency into FY 2010 and beyond. Further, the plan will be used to hold leadership publicly accountable for driving organizational excellence in achieving measurable performance outcomes by promoting greater emphasis on results and quality service while fostering the highest standards in ethics and integrity.

While the FEC is an independent regulatory agency, it is committed to modeling the best public and private sector practices, and is actively engaged in reaching out to various entities to help identify benchmarks for the FEC's future state. The Commission is refining the organizational structure, revising internal processes and controls, and continuing to identify automation enhancements to improve internal and external responsiveness. The FEC is also committed to ensuring that the annual information technology investments serve as integral factors in significantly improving the ability to serve citizens and ensuring that the computer systems are safe and secure. Implementation of these efficiency-enhancing strategies and tools can only be achieved with the requested level of resources.

Concerning the Commission's most important asset, its employees, the FEC is committed to ensuring that its human capital management processes make the agency an employer of choice, both within and outside of the public sector. To help build and retain a management team, to address the need for succession planning, and to implement the aforementioned improvements, this request includes a legislative proposal to convert Senior Level positions into the Senior Executive Service program. This legislative change would enable the establishment of a performance-based pay system for FEC leadership consistent with that used by the vast majority of federal agencies. The Commission is committed to ensuring that performance is routinely considered in management decisions and that programs achieve expected results and work toward continual improvement. In short, the FEC is dedicated to a deliberate approach to using the limited resources that have been entrusted to the FEC to achieve intended goals while holding managers accountable for achieving results.

With the support of the FEC's Congressional committees, the agency has continued to perform successfully in spite of an extremely challenging operating environment and rapidly rising workloads as campaigns continue to become more complex and costly. The Commission will continue to refine its processes to ensure that the FEC meets the highest standards in responsiveness, professionalism, and accuracy of information provided.

A few of the Commission's noteworthy accomplishments in FY 2006 include:

- Negotiation of conciliation agreements for civil penalties amounting to a record level of over \$5.9 million, more than doubling the total amount of penalties of any other single year, including the highest civil penalty for a single case obtained in Commission history;
- Processing nearly 78,000 financial filings, the equivalent of 3.9 million pages of financial data, disclosing about \$2.7 billion in spending related to federal elections;
- Completion of work on 11 rulemaking proceedings resulting from challenges to the regulations implementing the Bipartisan Campaign Reform Act;
- Issuance of 29 advisory opinions to persons who requested guidance from the Commission on the application of federal campaign finance laws to specific factual situations;
- Initiation of an expedited process to consider and issue advisory opinions on important and time-sensitive issue;
- Enhancement of the Filenet Image and Content Management System hosting 13 million images of electronically-filed campaign finance forms. These can be searched by the general public through a web interface that is updated daily;
- Implementation of new legislative directives to protect private information and agency sensitive data;
- Implementation of Pod-casting. This allows public access to downloadable audio from open sessions;
- Conversion of the paper Explanation and Justification for all FEC regulations and *Court Case Abstracts* into hypertext files available on the web.

Consistent with the OMB passback, the FEC's FY 2008 budget request is \$59,224,000, an increase of \$5,071,000, or 9.4 percent, over the anticipated FY 2007 full-year continuing resolution rate. This anticipated base rate for FY 2007 is unchanged from the FY 2006 level. Accordingly, the full request is needed to facilitate the FEC's effectively managing two years worth of mandated pay increases and inflationary pressures on non-pay expenditures, including a nearly \$1.6 million rent increase. The remainder of the requested increase supports strategic information technology initiatives that will bring us into compliance with acceptable Government-wide standards for systems and data integrity. These initiatives are covered in more detail in Appendix B.

The requested level of funding will enable us to administer and enforce the three core components of the Federal Election Campaign Act of 1971 (FECA), as amended, which are the:

- Disclosure of campaign finance information;
- Enforcement of federal campaign finance laws;
- Public financing of Presidential elections.

It is noteworthy that while FY 2008 is a Presidential election year, which will translate to a substantial workload increase for the agency, the Commission is not requesting additional staff. Increased workloads associated with Presidential elections continue beyond the election year for responsibilities such as mandatory audits of those receiving public funds and for enforcement cases associated with the Presidential election. The Commission believes that through restructuring, process improvements, and technology leveraging, the FEC will improve its overall efficiency and effectiveness. However, it is vital that the Commission be provided with this level of funding to ensure that the FEC is able to invest in its infrastructure and the technology to gain these efficiencies.

2.0 - APPROPRIATION LANGUAGE (PROPOSED)

FEDERAL ELECTION COMMISSION

SALARIES AND EXPENSES

For necessary expenses to carry out the provisions of the Federal Election Campaign Act of 1971, as amended, \$59,224,000 of which not less than \$8,100,000 shall be available for internal automated data processing systems, and of which not to exceed \$5,000 shall be available for reception and representation expenses; Provided, That, the FEC is authorized to establish, modify, charge, and collect registration fees for FEC-hosted conferences; Provided further, That, notwithstanding 31 U.S.C. 3302, funds received from fees charged to attend the FEC-hosted conferences shall be credited to and merged with this account, to be available without further appropriation for the costs of carrying out these conferences.

3.0 - ORGANIZATIONAL HISTORY

As early as 1905, President Theodore Roosevelt recognized the need for campaign finance reform. He called for legislation to ban corporate contributions for political purposes and in 1907 proposed public funding of federal elections. From 1907 to 1966, Congress enacted several statutes to:

- Regulate spending in federal campaigns;
- Mandate public disclosure of campaign finances.

In 1971, Congress consolidated its earlier reform efforts with the enactment of the FECA. The Act instituted:

- More stringent disclosure requirements for federal candidates, political parties, and political action committees (PACs);
- An income tax check-off to provide for the financing of Presidential general election campaigns and national party conventions.

Even though Congress had carefully considered the appropriate legislation to ensure the fairness of the federal elections, enforcement of the laws was difficult without a central administrative authority. For a time, authority was split between the then General Accounting Office (GAO), the Clerk of the House, and the Secretary of the Senate, with criminal enforcement in the Department of Justice.

In response to reports of serious financial abuses during the 1972 Presidential campaign, Congress amended the FECA in 1974 to set limits on contributions by individuals, political parties, and PACs. Further, it established the Federal Election Commission as an independent agency with central authority for the civil enforcement of the FECA.

In 1971, Congress established the income tax check-off to provide for the financing of Presidential general election campaigns and national party conventions. Amendments to the Internal Revenue Code in 1974 established the matching fund program for Presidential primary campaigns. Currently, the programs allow taxpayers to indicate, without any increase to the taxpayer's bill, whether they wished to designate \$3 (\$6 on joint returns) to the Presidential Election Campaign Fund.

The Bipartisan Campaign Reform Act of 2002 (BCRA) amended the FECA further. It banned national parties from raising or spending non-federal funds (often called "soft money"), restricted funding of so-called issue ads, increased the contribution limits, and indexed certain limits for inflation.

4.0 PROGRAM GOALS AND OBJECTIVES

Introduction

Fiscal Year 2008 covers the major primary election period for the Presidential election. The Commission anticipates that FY 2008 will result in a record-level workload based on ever increasing political campaign finance activity and the lack of a Presidential incumbent, which is expected to result in a larger field of candidates than in 2004.

Since 1976, total disbursements (spending) in federal elections have increased by more than 1,500 percent from approximately \$310 million to \$4.7 billion in 2004.

From 1984 to 2004, the FEC experienced workload increases of:

- 32 percent more documents filed per election cycle;
- 465 percent more transactions entered into the database.

Currently, the FEC receives information from approximately 8,000 committees filing more than 96,000 reports and generating between 2 and 3 million itemized transactions each election cycle. The FEC's electronic filing system eases the filing of these reports and the data analysis necessary to determine whether compliance with the FECA is being achieved. As a result of the mandatory electronic filing, the median time to process documents has improved from 11 days in the 2000 cycle to 2 days in the 2004 cycle.

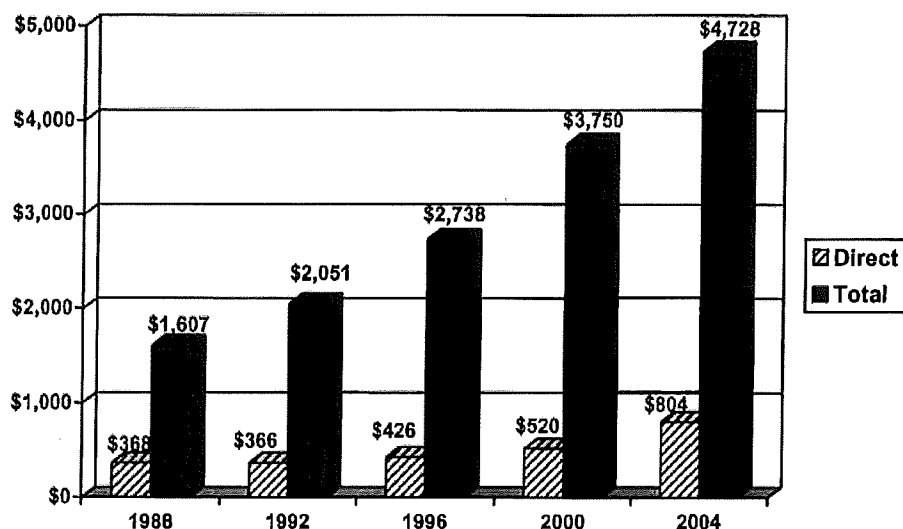
Staffing and Workload

The FEC processed these record-level workloads with reduced staffing levels. While the workload has continued to increase over the years, the FEC has relied upon management initiatives and technology advancements to meet the demands. The Commission continues to provide high levels of service to the regulated community and the public, while continually exploring ways to operate more efficiently.

Every election cycle since 1992 has set a new record in total spending. Total candidate and committee disbursements for a non-Presidential election cycle increased from \$1.1 billion in 1986 to \$3.1 billion in the 2002 Congressional elections. In Presidential elections, spending reached \$4.7 billion for the 2004 cycle, compared to \$1.6 billion in 1988. The tables on the following page reflect the total disbursements by federal committees and candidates in recent elections – with spending more than tripling for comparable cycles. These tables provide a graphical depiction of the ever-increasing workload demands.

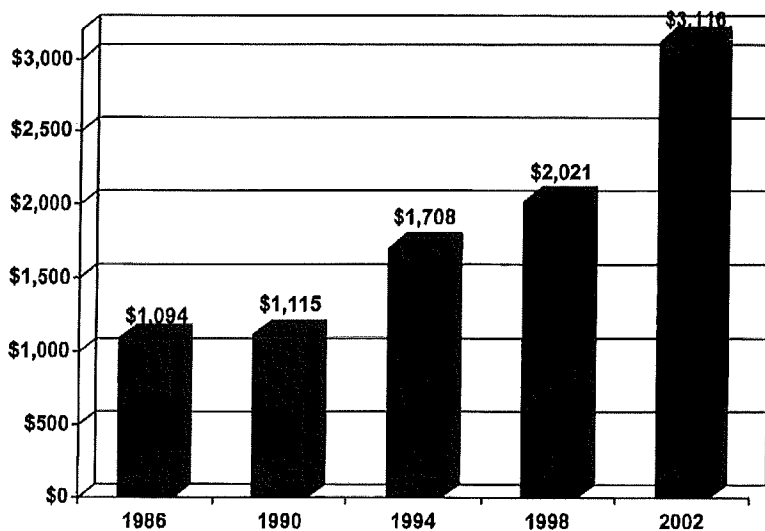
4.0 Program Goals and Objectives, continued

Table 4.1 – Disbursements during Presidential Election Cycles (\$ Millions)



Note: Direct disbursements are expenditures made by Presidential candidates, and total disbursements are all expenditures (including direct disbursements). The two totals are provided for comparison.

Table 4.2 – Disbursements during Congressional Election Cycles (\$ Millions)



4.0 Program Goals and Objectives, continued

Core Programs

As previously mentioned, the FEC will continue to rely upon internal efficiencies and technology leveraging to meet the demands associated with the increased workload.

There are three core programs that directly support the FEC's mission:

- Promoting disclosure;
- Enforcing the FECA;
- Administering the public financing of Presidential elections.

The Commission fully supports the government-wide mandate for federal agencies to maximize efficiency and effectiveness to ensure the most responsible expenditure of taxpayer dollars. Toward that end, the Commission has devoted considerable focus to facilitating voluntary compliance with federal campaign finance laws and FEC regulations. The FEC relies on effective outreach and informational programs to reduce violations due to a lack of awareness or understanding of the laws and regulations. These outreach efforts include the FEC website (www.fec.gov), FEC's toll-free information line (1-800-424-9530), campaign finance workshops, seminars, and conferences, and campaign guides and brochures. The FEC has received high marks from the regulated community, the media, and the public for this proactive approach of disseminating information.

The proposed appropriation language contained in this request seeks to ensure the continuation of these proactive efforts by authorizing the FEC to charge and collect registration fees that cover the costs of these FEC-hosted conferences. Without this authorization or a substantial funding increase, the ability to achieve to FEC's mandate of promoting disclosure will significantly be hindered.

The following table identifies the resource requirements associated with each of the Commission's core programs:

Table 4.3 – Resource Requirements to Support Core Programs

Program	\$ ^{1/}	FTE
Promoting disclosure	\$ 22,647,258	143.4
Enforcing the FECA	\$ 27,985,314	177.2
Administering the public financing of Presidential elections	\$ 8,591,428	54.4
Total	\$ 59,224,000	375.0

1/ These estimates are based on allocation of direct and indirect costs for FY 2006.

4.1 Promoting Disclosure

Overview

The FEC's disclosure objectives include processing incoming campaign finance reports from federal political committees and making the reports available to the public. These functions are essential to promoting the transparency of the election process, and the available data provide the foundation for analysis and further study by the public, the media, elections interest groups, and the academic community.

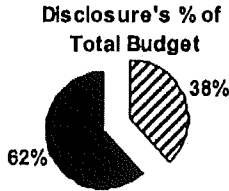
In addition to maintaining the in-person availability of FEC data, the Commission is improving user-friendly access to its resources through the FEC website and other electronically-provided data and publications. The FEC encourages the public to review the many resources available, which include computer indices, advisory opinions, and closed Matters Under Review (MURs). In calendar year 2006, the FEC electronic disclosure database and website received 3.7 million visits and 105 million hits by users seeking campaign finance data and FEC documents.

While the Commission will continue to print and make available copies of brochures and publications, increasingly the needs of the regulated community, the public, and the press are served by electronically-available educational and informational materials. During non-peak campaign seasons, the FEC website averaged more than 8,000 visits per day. The number of visits increases an average of 10,000 visits per day during peak campaign seasons. A new "*Tips for Treasurers*" page that was launched in July 2006 received 3,200 visits during its first month of availability. To address public demand and legislative changes, the FEC continually needs to upgrade and enhance its website and electronic filing systems. It is essential that the FEC is fully funded in order to make these performance enhancing investments.

The Commission continues to respond to many telephone and written requests for information, data, and assistance in filing reports. The Information Division's 1- 800 number and the Reports Analysis Division's (RAD) analysts assigned to specific committees continue to be an integral part of the FEC's efforts to inform and educate the regulated community and the public and to foster voluntary compliance with the FECA. The Public Records Office houses a library with knowledgeable staff to help researchers and the public locate documents and relevant data.

Program Objectives

Approximately 38 percent of the agency's budget is dedicated to promoting disclosure. Specific disclosure program objectives include:



- Making filed reports available to the public within 48 hours;
- Reviewing and processing political committee financial reports accurately and timely;
- Responding to data requests within 72 hours;
- Educating the regulated community, the public, and the media about the legal requirements associated with the core elements of federal election campaign finance law – disclosure, contributions limits and prohibitions, and the public financing of Presidential elections.

Program Goals

To meet the disclosure program objectives, the Commission will achieve the following goals identified as part of its overarching disclosure processes.

Review and Processing of Reports

To achieve accurate and timely review and processing of reports, the FEC will:

- ❖ Facilitate the electronic filing of reports by all political committees reaching a certain threshold, excluding Senate committees and the national parties' Senate campaign committees;
- ❖ Meet the deadlines for placing reports filed by political committees on the public record;
- ❖ Review for accuracy and complete disclosure 100 percent of reports filed;
- ❖ Request additional information from filers to facilitate voluntary correction of the public record;
- ❖ Code and enter into the FEC database all information contained in 95 percent of reports within 45 days of receipt.

Public Disclosure and Dissemination of Campaign Finance Data

To ensure that campaign finance data is widely disseminated and publicly available, the Commission will:

- ❖ Provide public access to the FEC disclosure database and digital images of reports through the Internet;
- ❖ Operate a Public Records Office, where personal assistance is also available;
- ❖ Operate a Press Office to facilitate media coverage of agency activity;
- ❖ Provide statistical information on the reports filed by political committees.

Education about the Law

To promote understanding by the public, the media, and the campaign community and ready access to information about the law, the Commission will:

- ❖ Staff a toll-free telephone number to answer phone inquiries accurately, timely, and professionally, as well as dedicate staff to respond to email and written inquiries;
- ❖ Produce and distribute educational and informational publications;
- ❖ Ensure electronic and paper availability of all FEC publications;
- ❖ Conduct technical workshops on the law throughout the country;
- ❖ Provide policy guidance through the timely release of advisory opinions (AOs);
- ❖ Review and revise regulations to ensure clarity of federal election laws.

4.2 Enforcing the FECA

Overview

The FEC exercises its enforcement authority by investigating potential violations, making appropriate findings, attempting conciliation, and when conciliation is unsuccessful, filing suit in federal district court. The FEC coordinates its enforcement activities with the Department of Justice, U.S. Attorney's Offices, and state and local agencies. In the last several years, the FEC has dealt with certain kinds of enforcement matters through its Administrative Fine and Alternative Dispute Resolution Programs. The FEC maximizes the effectiveness of its compliance and enforcement programs through technology and management initiatives to more strategically focus available resources. Given the modest size of the Commission's compliance and enforcement programs relative to the FEC's mission requirements, any reduction in resources will have a significant adverse effect on the FEC's ability to meet the most basic program objectives.

Enforcement Program

Other than those addressed by the Administrative Fine and Alternative Dispute Resolution programs, all enforcement matters are handled pursuant to the procedures set forth in 2 U.S.C. §437g. Enforcement matters, referred to as Matters Under Review ("MUR"), are initiated through sworn complaints filed by individuals and entities; referrals from other agencies, both federal and state; self-reports from individuals and entities seeking to cooperate with the Commission; and internal referrals from other offices within the agency. The majority of cases (65 percent since 1995) are the result of complaints filed by individuals outside of the agency.

Over the past five years, the General Counsel has initiated a number of management and organizational changes to increase the quality and efficiency of the Commission's enforcement work, and has implemented policy initiatives to facilitate the processing of MURs. The result is a fairer and more expeditious process, with meaningful penalties and other remedies proportionate to the violation. Among other reforms, the Commission has published a policy statement on the liability of committee treasurers, has eased respondents' access to deposition transcripts, and has revised its standard confidentiality admonition to clarify that witnesses may, if they wish, provide factual information to respondents and their counsel.

In terms of efficiency, cases closed on average 36 percent faster in FY 2006 compared to FY 2003, and the Commission is on pace to resolve by year's end all but a small number of complaints that allege violations pertaining to the 2004 elections that were received either before or within several months after the election. Importantly, the General Counsel has eliminated the practice of dismissing "stale" cases, that is, cases that remained on the docket for lengthy periods without action. From FY 1995 to 2000, the FEC dismissed 21 percent of its cases as "stale." FY 2006 was the third year in a row in which the FEC did not dismiss a single case as stale.

4.2 Enforcing the FECA, continued

Enforcement Program, continued

During the past five fiscal years, the General Counsel has steered resources to the most significant violations, leading to a steep increase in civil penalties for serious violators. From FY 1995 to 2000, the OGC negotiated conciliation agreements with respondents providing for civil penalties totaling \$6.82 million. From FY 2001 to date, OGC negotiated conciliation agreements providing for civil penalties totaling more than \$13.92 million, roughly twice the level of the preceding six-year period. In FY 2006 alone, OGC obtained civil penalties amounting to more than \$5.6 million, an increase of more than \$2 million in civil penalties in comparison to the prior highest fiscal year's results. This marks the fifth consecutive year with more than \$1 million in civil penalties. The high civil penalties in FY 2006 include the \$3.8 million civil penalty negotiated in one matter, which is more than four times greater than any civil penalty obtained in Commission history and is more than the aggregate amount obtained in any previous year.

Administrative Fine Program

The Administrative Fine program was established in July 2000 after statutory amendments permitted the Commission to impose civil monetary penalties for violations of certain reporting requirements. The program facilitates more expeditious resolution of relatively straightforward violations, allowing the agency to devote more resources to the more complex cases. In FY 2006, the Administrative Fine program obtained civil penalties amounting to more than \$135 thousand. Since its inception, 1,273 cases have been closed and over \$2.6 million in fines have been assessed through the program.

Alternative Dispute Resolution Program

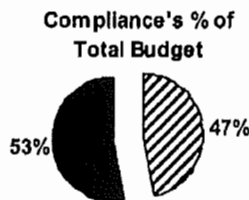
The FEC implemented an Alternative Dispute Resolution (ADR) program in FY 2001 to facilitate settlements outside of the traditional enforcement or litigation processes. The ADR program's primary objective is to enhance the agency's overall effectiveness through more expeditious resolution of enforcement matters with fewer resources required to process complaints and internal referrals. In FY 2006, the ADR program obtained civil penalties amounting to more than \$200 thousand. Since the program's inception, the Commission has formally closed 259 cases, with substantive action taken in 73 percent of those cases.

As previously mentioned, the Commission anticipates that FY 2008 will result in record-level workload based on the growth and complexity of campaign funding, as well as the increased enforcement responsibilities that a Presidential election entails in the year of the election and beyond as complaints and referrals are received and addressed. The requested level of funding is critical to meeting the challenges that these responsibilities will pose.

4.2 Enforcing the FECA, continued

Program Objectives

Approximately half of the agency's budget is dedicated to enforcing the FECA. Specific compliance and enforcement program objectives include:



- Audit those committees whose reports fail to meet threshold requirements for substantial compliance with the FECA;
- Take appropriate enforcement action with respect to potential violations.

Program Goals

To meet the compliance program objectives, the Commission will seek to achieve the following goals identified as part of its overarching compliance processes.

Audits

- ❖ Conduct 40 to 45 audits “for cause” for the election cycle, pursuant to 2 U.S.C. §438(b), in those cases where committees have failed to meet the threshold requirements for substantial compliance with the FECA and have failed to voluntarily correct errors or omissions on their reports;
- ❖ Perform required Title 26 audits of the Public Financing Fund stemming from the 2008 Presidential campaigns, while sustaining the on-going objectives of audits performed under Title 2.

Enforcement of the FECA

- ❖ Continue progress in shortening case processing times;
- ❖ Close between 75 and 100 cases, with at least 60 percent closed through substantive Commission action;
- ❖ Defend the BCRA and Commission regulations against constitutional and other legal challenges;
- ❖ Initiate civil actions in federal court to enforce the FECA/BCRA in accordance with 2 U.S.C. 437g(a)(6) and defend against all actions in federal court challenging the Commission's determinations under the Administrative Fine Program pursuant to 2 U.S.C. 437g(a)(4)(C)(iii) and all actions challenging the disposition of enforcement matters;
- ❖ Maintain and revise, as necessary, the Enforcement Priority System (EPS), a system that is used to prioritize the enforcement docket and assist in determining whether matters are appropriate for ADR.

4.3 Administering the Public Financing of Presidential Elections

Overview

Public funding of Presidential elections means that qualified Presidential candidates may receive federal funds to pay for the qualified expenses of their political campaigns in both the primary and general elections. National political parties also receive federal money for their national nominating conventions.

The Federal Election Commission administered the first public funding program in 1976. Eligible Presidential candidates used federal funds in their primary and general election campaigns, and the major parties used public funds to pay for their nominating conventions. Under the 1971 Revenue Act, the nominee, rather than the party, receives the public funds accumulated through the dollar check-off. The Revenue Act also placed limits on campaign spending by Presidential nominees who receive public money and a ban on all private contributions to them.

In a parallel development, Congress passed the 1971 FECA, which required full, detailed reporting of campaign contributions and expenditures by all federal candidates, including Presidential candidates. The 1974 Amendments to the Federal Election Campaign Act completed the system the FEC now has for public financing of Presidential elections. Those Amendments extended the public funding provisions of the Revenue Act to Presidential primary elections and the Presidential nominating conventions of national parties. In 1976, Congress made minor changes to the public funding provisions and in 1979 and 1984 increased the public funding entitlement and spending limit for national nominating conventions.

Program Components

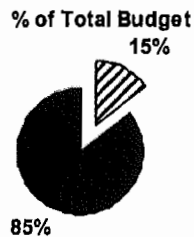
Public funding of Presidential elections has three components:

- Matching funds for qualified Presidential primary candidates;
- Public grants for the Presidential nominees of political parties;
- Public grants to political parties to run their national Presidential nominating conventions.

Administering the public financing program effectively requires significant activity before, during, and after Presidential election cycles. Responsibilities include reviewing matching fund submissions from eligible candidates, certifying eligibility, and auditing of reports.

Program Objectives

Approximately 15 percent of the agency's budget is dedicated to administering the public financing of Presidential elections. Specific program objectives include:



- Certifying, on a timely basis, the eligibility of Presidential candidates and committees for payments;
- Ensuring timely U.S. Treasury payments to certified committees;
- Promoting public trust by ensuring that all public monies are accounted for and expended in compliance with the FECA.

Program Goals

To reach the objectives described above, the Commission will seek to:

- ❖ Process certifications and transfers of funds timely and accurately;
- ❖ Conduct comprehensive and thorough audits and reviews of campaigns and political parties receiving public funds within the statutory time limits;
- ❖ Vigorously enforce compliance with the statutory requirements governing use of such funds.

5.0 PERFORMANCE BUDGET SUMMARY

As noted in the Executive Summary, the net increase within this FY 2008 request is \$5,071,000, or nine percent.

For personnel costs, the increase is for the mandatory cost-of-living increases and the rising costs of health and other benefits. The single largest increase, in both dollar and percentage terms, is for rent, given the recently re-negotiated lease. Finally, the 6.1 percent requested increase for non-personnel costs other than rental payments to GSA is primarily for targeted IT investments that are described in Appendix B.

Similar to other agencies, the FEC will continue to absorb the costs associated with new mandated requirements, such as those imposed by Presidential Directive HSPD-12, OPM's e-OPF initiative, new security requirements on the protection of sensitive agency data, and annual climate surveys. Again, implementation of these types of initiatives has a disproportionate impact on the FEC's ability to meet program goals than on larger agencies because of the relatively small non-personnel funding allocation.

The following table summarizes the FY 2008 request and the differences from FY 2007.

Table 4.3 – Comparison of FYs 2007 and 2008 Budgets

Category	FY 2007 ^{1/}	FY 2008	Increase	Percent Increase
Personnel	39,814,300	42,498,848	2,684,548	6.7%
Non-Personnel - Rent	3,825,000	5,603,846	1,778,846	46.5%
Non-Personnel - Other	10,513,700	11,121,306	607,606	5.8%
Total	54,153,000	59,224,000	5,071,000	9.4%

1/ Assumes a full year continuing resolution at the FY 2006 funding level.

Despite the efficiency gains identified throughout this document, the FEC believes it is absolutely critical that it be granted the requested level of funding. Anything less will have a direct and measurable impact on the Agency's ability to administer and enforce the FECA, as amended.

5.0 PROPOSED LEGISLATIVE LANGUAGE INSTITUTING SENIOR EXECUTIVE SERVICE POSITIONS AT THE FEC

The Commission believes that two statutory changes are needed to bring its personnel structure in line with that of other comparable federal agencies. This would ensure that the FEC is able to compete with other government agencies and the private sector in recruiting and retaining key management personnel, including the Staff Director and General Counsel. These changes would also enable the Commission, like other agencies, to move to merit-based pay systems for top executives.

The Commission believes that the positions of Staff Director and General Counsel should be compensated at a rate of pay not to exceed the Senior Executive Service (SES) rates. In addition, Senior Level (SL) positions within the agency should be converted to SES positions and any future SL positions should be created in the SES.

There is a trend toward performance-based pay for executives throughout the government. Revising the compensation of the statutory officers and converting SL positions into SES positions would ensure performance-based pay is similarly emphasized for the Commission's senior executive positions.

The Commission is confident that these changes would assist in retaining highly qualified individuals and attracting superior candidates when vacancies arise, thus permitting the Commission to remain competitive in the marketplace for federal executives.

Proposed legislative language:

Legislative Language:

- (1) Section 3132(a)(1)(C) of Title 5 of the United States Code is amended by striking "Federal Election Commission, or".
- (2) Section 310(f)(1) of the Federal Election Campaign Act of 1971 (2 U.S.C. §437c(f)(1)) is amended by striking the second and third sentences, and replacing them with: "The staff director and general counsel shall be paid at rates not to exceed the range of rates of basic pay in effect for the Senior Executive Service under 5 U.S.C. '5382."

FEDERAL ELECTION COMMISSION

**FISCAL YEAR 2009
CONGRESSIONAL BUDGET JUSTIFICATION**



February 4, 2008

Congressional Submission

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Proposed Appropriation Language

FEDERAL ELECTION COMMISSION

SALARIES AND EXPENSES

For necessary expenses to carry out the provisions of the Federal Election Campaign Act of 1971, as amended, \$63,618,000 of which not to exceed \$5,000 shall be available for reception and representation expenses.

FEDERAL ELECTION COMMISSION

BUDGET REQUEST

EXECUTIVE SUMMARY

The FY 2009 budget request for the Federal Election Commission (FEC or Commission) is for \$63,618,000. This represents an increase of \$4,394,000 (7.4%) over FY 2008. This increase is being requested to ensure that the Commission remains equipped with the staff and information technology tools to effectively and efficiently meet an anticipated increase in responsibilities resulting from (1) recent changes in Federal campaign finance laws, (2) the continuing increase in the level of contributions to, and spending by, Federal candidates, and (3) the expanding timeframe that Federal candidates are engaged in their campaigns.

A brief summary of this request is presented below.

Table 1: Budget Summary			
Category:	FY 2008 Estimate	FY 2009 Request	Percent Change
Personnel	\$42,498,848	\$45,145,645	6.2%
Non-Personnel	\$16,725,152	\$18,472,355	10.4%
Total	\$59,224,000	\$63,618,000	7.4%

To successfully manage the continued increase in its responsibilities, the Commission would allocate funds from the requested budget increase to:

- Add 12 full-time equivalent (FTE) positions to work in areas that are most impacted by the increased demands;
- Invest in several technological advances, such as improvements to its public disclosure databases and internal compliance systems, that would allow the Commission to provide additional services to the regulated community and the public, while conducting business more efficiently; and
- Sufficiently address internal control weaknesses relating to financial management and systems previously identified through the annual audits of the Commission's financial statements.

A portion of the budget increase also supports the standard anticipated inflationary adjustments for salaries and benefits, as well as inflation-driven cost increases for non-personnel expenditures.

Table 2: Components of the Budget Request	
FY 2008 Appropriation	\$59,224,000
Built-in requirements to maintain current services	1,825,000
FY 2009 Current Services	\$61,049,000
Enhancements:	
Additional Staffing	1,151,795
Technological Initiatives	1,417,205
FY 2009 Budget Request	\$63,618,000

COMMISSION STRUCTURE

The FEC (www.fec.gov) is an independent regulatory agency with exclusive responsibility for administering, enforcing, defending and interpreting the Federal Election Campaign Act of 1971, 2 U.S.C. 431 *et seq.*, as amended by the Bipartisan Campaign Reform Act of 2002 (BCRA), Pub. L. 107-155, 116 Stat. 81 (2002) (*FECA* or the *Act*). The Commission is also responsible for administering the public funding programs (26 U.S.C.) for presidential campaigns and conventions, which includes certifying and auditing all participating candidates and committees, and enforcement of public funding legislation.

The agency is directed by six Commissioners appointed by the President with the advice and consent of the Senate. By law, no more than three Commissioners can be members of the same political party. Each Member serves a six-year term and two seats are subject to appointment every two years.¹ The Commissioners meet regularly to formulate policy and to vote on significant legal and administrative matters.

As part of its responsibilities, the FEC ensures transparency in the campaign finance system for Presidential and Congressional elections by enforcing the *Act's* requirement that all Federal candidates and Federal political committees file financial disclosure reports, and by making those disclosure reports readily available to the public through the Commission's Internet-based public disclosure system. The FEC also has exclusive responsibility for civil enforcement of the FECA, including the handling of civil litigation arising from any legal actions brought by or against the Commission. All fines or civil penalties received are deposited with the U.S. Treasury and are not available for the Commission's use. Additionally, the Commission promulgates regulations implementing the *Act* and issues advisory opinions responding to inquiries generally from the regulated community.

¹ The Commission is awaiting Senate confirmation of four of its six Commissioners. Accordingly, the FEC is currently operating with only two Commissioners.

MISSION STATEMENT

To prevent corruption in the Federal campaign process by administering, enforcing and formulating policy with respect to Federal campaign finance statutes.

The primary purposes of the *Act* are to:

- Prevent improper influence or the appearance of improper influence of Federal candidates by imposing contribution limits; and
- Provide transparency through mandatory disclosure of financial activity.

In order to prevent improper influence of Federal candidates that might result from large campaign contributions, the *Act* limits the amount that any one person or entity may contribute to a Federal political candidate. The *Act* also prohibits certain entities, such as corporations and labor unions, from making Federal political contributions altogether. Beyond contribution limits and prohibitions, the *Act* also requires accurate and comprehensive public disclosure by Federal candidates and Federal political committees of all contributions and expenditures. The Commission facilitates transparency in the Federal campaign finance system through a state-of-the-art Internet-based public disclosure system for all campaign finance activity.

The *FECA* reflects a belief that democracy works best when voters can make informed decisions in the political process, decisions based in part on knowing the sources of candidates' financial support – hence, the focus on transparency. Public confidence in the political process depends not only on laws and regulations to assure transparency, as well as on limits and prohibitions on the amounts and sources of contributions, but also on the knowledge that those who disregard those laws and regulations will face real consequences for non-compliance – hence the focus on effective and fair enforcement to maintain the integrity of campaign financing.

Despite a vigorous enforcement program designed to ensure compliance with the *Act's* contribution restrictions as well as its disclosure provisions, voluntary compliance with its requirements remains a principal focus of the Commission's efforts. Because of the large and rising number of political committees and the ever-growing number and complexity of financial disclosure reports filed with the FEC, it would be cost-prohibitive to enforce the requirements of the *Act* without significant voluntary compliance. Accordingly, the Commission devotes significant resources to encouraging voluntary compliance through the widespread dissemination to the public, the press, political committees, and to State election officials of educational materials related to the campaign finance laws.

STRATEGIC GOAL

As reflected in the strategic plan that has been updated for FY 2008 through 2012, the FEC's mission is supported by a single, overarching strategic goal. This goal, which is presented below, is intended to succinctly, yet simply, characterize the fundamental responsibility with which the Commission has been entrusted.

To protect the integrity of the Federal campaign process by providing transparency, enforcing contribution restrictions, and fairly administering the FECA and related statutes.

STRATEGIC FRAMEWORK

This goal is pursued by three strategic objectives and underlying activities that guide the operations of the FEC. These are some of the many activities that constitute the day-to-day work of the agency's staff.

Objective A: Transparency – Receiving Accurate and Complete Campaign Finance Disclosure Reports and Making Them Available to the Public

- Creating and maintaining a state-of-the-art electronic filing system for collecting financial disclosure reports from Federal candidates and political committees;
- Making financial disclosure reports available to the public in a timely, efficient and useful manner;
- Reviewing financial disclosure reports to ensure that the reports are accurate and complete; and
- Encouraging candidates and political committees to correct inaccurate or incomplete reports.

Objective B: Compliance – Education and Enforcement

- Expanding awareness of the campaign finance laws by creating and disseminating educational materials, and through instructional conferences and workshops;
- Responding to complaints alleging violations of campaign finance laws;
- Imposing civil penalties for late-filed and non-filed disclosure reports;
- Conducting audits in a timely and efficient manner;
- Working with the Department of Justice regarding prosecution of criminal violations of the *Act*; and
- Making findings in completed compliance matters available to the public in a timely and useful manner.

Objective C: Development of the Law – Interpreting and Administering FECA

- Conducting rulemaking proceedings to promulgate Commission regulations consistent with revisions to the *Act* and judicial decisions;
- Issuing advisory opinions providing specific guidance to the regulated community;
- Defending challenges to the *Act*, Commission regulations or actions; and
- Certifying all presidential public funding payments in a timely and efficient manner.

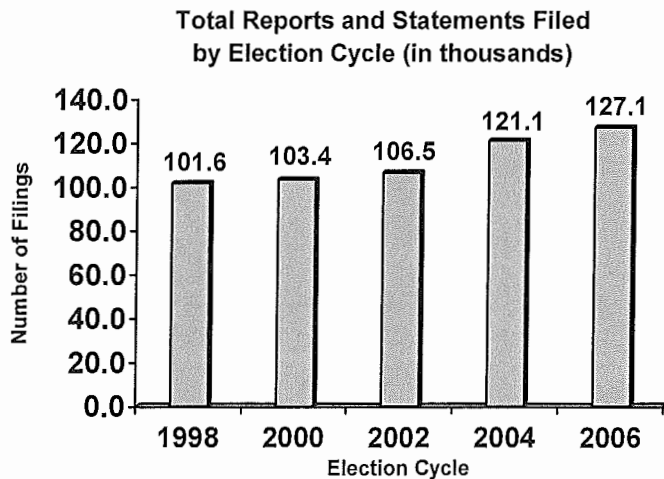
Management excellence is a key means to ensure that the FEC achieves these objectives in the most efficient and effective manner. Consistent with the *President's Management Agenda (PMA)*, the Commission is updating its human capital plan to better address the following elements: (1) strategic alignment; (2) workforce planning; (3) leadership development; and (4) knowledge transfer and results-oriented performance. In addition to investing in its people, the Commission believes strong financial management and up-to-date technology are critical to supporting the mission and business operations, thereby ensuring that controls and systems meet applicable standards and can accommodate changes in stakeholder expectations and needs.

Together these strategic objectives and management initiatives provide a strong foundation on which the FEC accomplishes its mission and plans for future challenges. The following section discusses the objectives mentioned above and presents brief descriptions of program activities, noteworthy trends and key accomplishments. Results achieved in carrying out these objectives and activities include (1) shorter processing times, (2) new procedures for informing the regulated community of the law, (3) an increase in the number and types of outreach activities, and (4) improved access to and the ease of use of the campaign finance data.

Objective A: Transparency

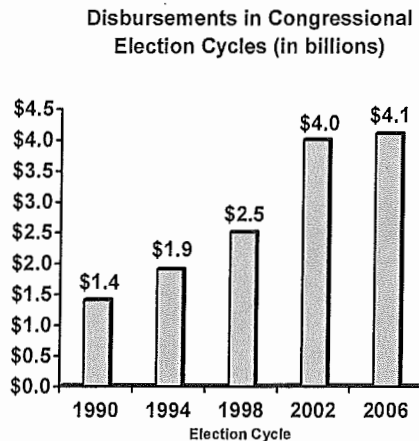
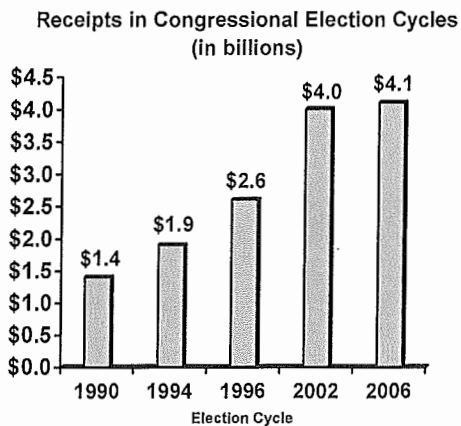
Receiving Accurate and Complete Campaign Finance Disclosure Reports and Making Them Available to the Public.

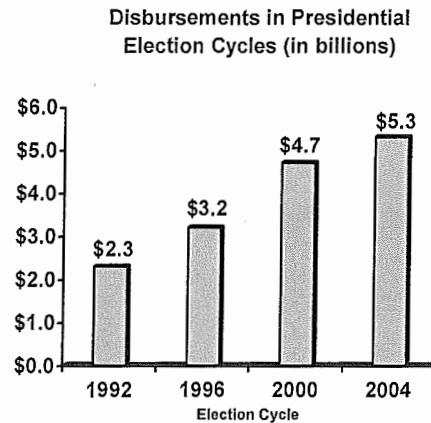
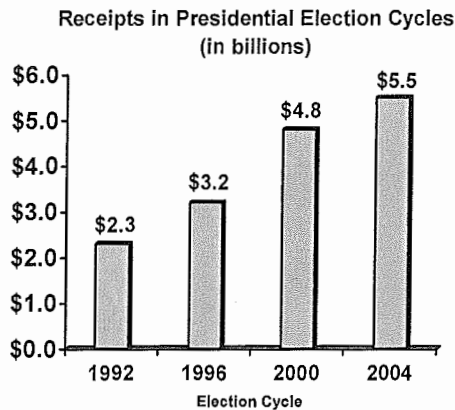
One of the FEC's most important responsibilities is to receive campaign finance reports, which detail the sources and amounts of funds used to finance Federal elections, and to make these reports available to the public in a timely and efficient manner. During the 2006 election cycle, the Commission received over 127,000 financial disclosure reports and statements, the equivalent of 3.9 million pages of financial data, disclosing approximately \$4.1 billion in spending related to Federal elections. This represents an increase of approximately five percent from the 2004 election cycle. The Commission anticipates that the 2008 election cycle will see an even greater increase, especially since there is no incumbent running for the Presidency. For example, as of August 2007, the Commission has received approximately seven percent more financial disclosure reports and statements than what was received relative to the same period before the 2004 presidential election.



As illustrated in the chart above, the Commission has seen a continued increase in the total reports and statements filed over the past 10 years. Despite this increase, the Commission continues to improve on the timeliness with which reports are processed and made available to the public on the Commission's website. For example, since the institution of mandatory electronic filing in 2000, the median time to process all documents has decreased from eleven to just two days.

In addition to the rising number and complexity of filings, the volume of transactions disclosed on campaign finance reports has also grown dramatically. As illustrated in the charts below, every election cycle since 1990 has seen a new record in total contributions and spending in Federal elections.



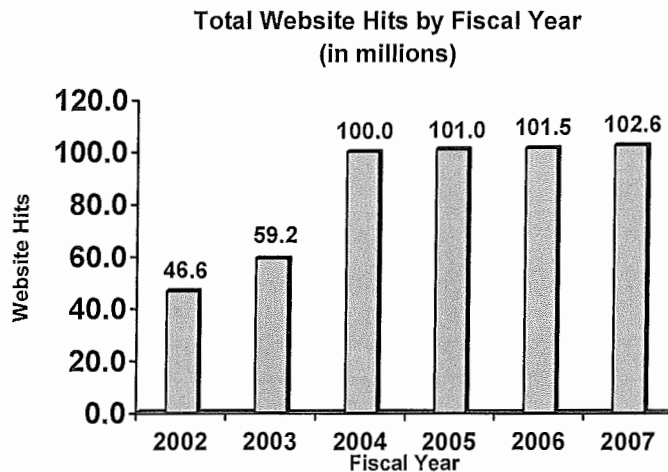


Not only does the FEC's Internet-based electronic filing system allow candidates and political committees to file electronically, it also permits the committees to disclose more detailed information than ever before. The rise in the volume of reported information and financial activity has placed an increased burden on the review and analysis that the Commission must perform to ensure completeness and accuracy for disclosure and compliance purposes.

With the passage of mandatory electronic filing for the majority of committees, the FEC, political candidates and committees, and the public are experiencing the benefits of timeliness and work process improvements that a sophisticated system affords. For example, the Commission's electronic filing system provides a comprehensive on-line help feature to assist candidates and committees with preparation and filing of their disclosure reports. Furthermore, the system permits anyone with Internet access to view the following campaign finance information:

- A list of all disclosure reports and other forms filed by a Federal candidate or a political committee, as well as a link to copies of the reports.
- Summaries of financial activity, such as total receipts, disbursements, contributions to Federal committees, cash on hand and debts and obligations of a candidate or committee.
- A list of all documents filed by a candidate with a cross reference to reports filed by other political committees, which disclose contributions and other expenditures related to that candidate.
- An itemized list of each individual contribution to a candidate or committee.
- An itemized list for each political committee of contributions made to candidates, including independent expenditures for or against candidates.
- Documents related to FEC audits, enforcement actions and litigation regarding a candidate or political committee.
- Documents related to FEC advisory opinions.

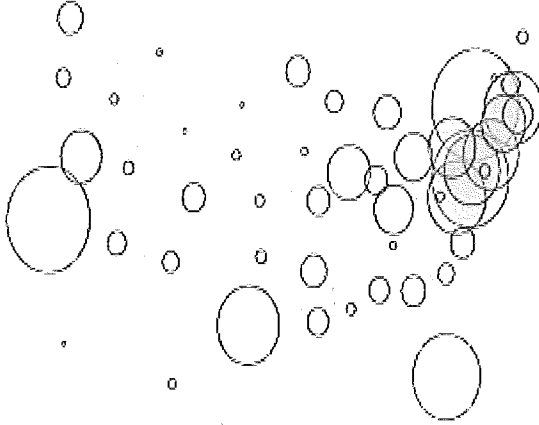
In 2006, the FEC's electronic disclosure database and website received 3.8 million unique visits and over 101 million page hits by users seeking campaign finance data and other information. Each day, the FEC website continues to receive an average of 10,000 visitors. When on the FEC website, these visitors have access to over 27,000 documents, plus hundreds of thousands of pages of campaign finance data that have been submitted by candidates and committees and posted on-line by FEC staff. In FY 2007, the FEC website received approximately 102.6 million hits, and as the 2008 presidential election nears, the Commission anticipates an even greater number of visits to the FEC website through FY 2009.



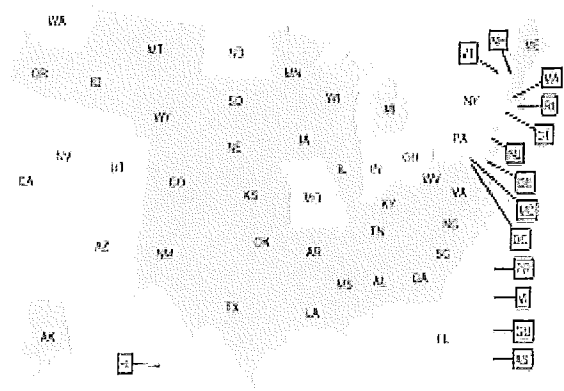
To make campaign finance data contained in the disclosure reports filed with the Commission even more accessible to the public, in calendar year 2007, the FEC launched two new interactive maps at www.fec.gov/DisclosureSearch/mapApp.do that allow users to have immediate access to contribution information for both the 2008 presidential race and the 2008 Congressional candidates. With a simple click on a map, users can access the amount of funds raised on a state-by-state basis, with an option of viewing contributions to specific candidates, all candidates or all candidates from a particular political party. The maps provide convenient access to the total contributions to each candidate, along with each candidate's cash-on-hand and the distribution of each candidate's contributions by amount. The maps also allow the user to access lists of contributors by name, city, amounts of contributions and dates within the first three digits of their zip code, and can be sorted and downloaded to a spreadsheet format. Contribution data are updated within one day of the Commission's receipt of electronically-filed presidential disclosure reports.

Campaign Finance Maps. Campaign finance information is now available via easy-to-use maps of the USA for both Presidential and House and Senate Elections through September 30, 2007.

Presidential Election



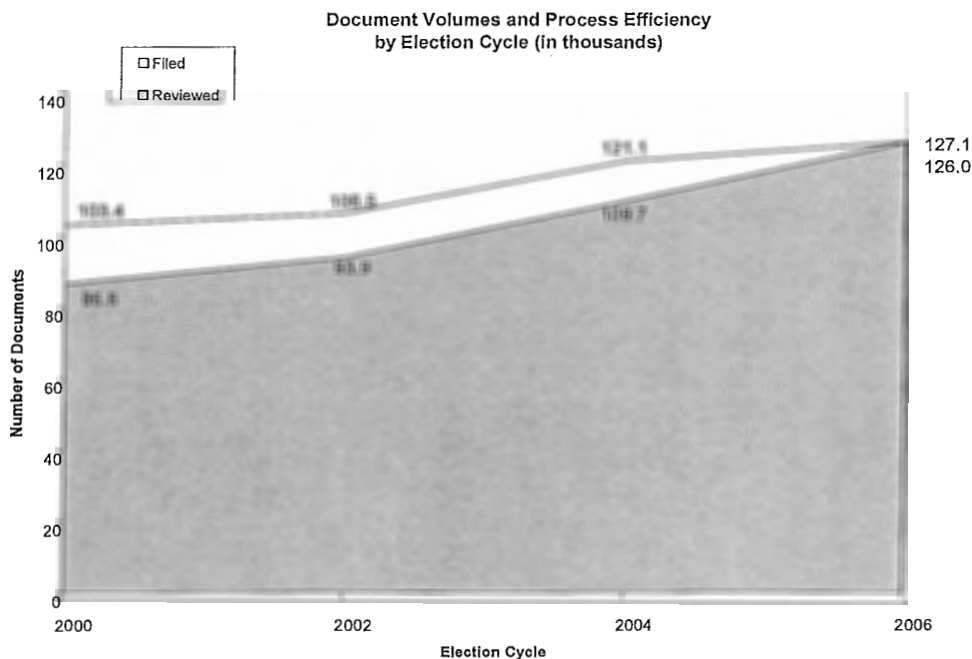
House and Senate Elections



The Commission is in the process of identifying other technological enhancements that will allow the public to access campaign finance data more easily and in more useful ways, thereby facilitating the public's capacity to conduct more sophisticated analyses of the available data.

Review of Campaign Finance Filing Reports

In addition to making available to the public all campaign finance disclosure reports that are filed, the Commission also reviews all reports for compliance with the law and to verify that the information is accurate and complete. This ensures that the public is provided a full representation of all candidates' and committees' campaign finance activity. The following chart illustrates the (1) total number of reports and statements received; (2) total number of reports and statements processed; and (3) total number of reports and statements reviewed during an election cycle.



In the 2006 Congressional election cycle, nearly \$4.1 billion in campaign funds were disbursed by 8,000 committees that filed over 127,000 reports and statements. Together these reports contained information on 2.8 million separate campaign contributions and expenditure transactions. Despite an increase of nearly 15 percent in the number of reports reviewed between the 2004 and 2006 election cycles, and a continued increase in the amount of contributions and disbursements in the election cycles, the Commission was able to make significant improvements in the timeliness of the review of these reports.

Although the Commission has achieved significant success in its effort to improve the review time for routine matters, it continues to face challenges in its efforts to analyze more complex matters. These include potential fraudulent activities designed to circumvent the limits of the *Act*, such as embezzlement and multi-tiered conduit schemes for making contributions in the name of another person.

This budget request reflects the need for increased funding for staff with specialized expertise in identifying such complex, hard-to-detect schemes. The Commission also seeks funding to support this expertise through technological enhancements, such as data mining software. These resources will further assist the FEC in presenting financial data to the public and the regulated community in a manner that is even more transparent and beneficial to the public.

Objective B: Compliance

Education

The Commission continues to receive many telephone and written requests from the regulated community and the public for information, data and assistance in filing financial disclosure reports. Helping the regulated community understand its obligations under the *Act* is an essential component of improving voluntary compliance. One way the Commission continues to promote voluntary compliance with the law is by educating political committees and the public about the requirements of the *Act*.

During the past couple of years, the Commission implemented several policy statements providing the regulated community with additional guidance on certain submissions by candidates and political committees. These include statements (1) to clarify and encourage self-reporting of violations, (2) to offer guidance on disclosure efforts including descriptions for the purpose of disbursements, and (3) to outline the requirements to show “best efforts” by committees to obtain and report financial information.

The Commission also encourages voluntary compliance by hosting conferences in Washington, DC, and in other cities across the country, where Commissioners and staff explain how the *Act* applies to candidates and political committees. These conferences address recent changes in the campaign finance laws and focus on fundraising and reporting regulations.

For both political committees and the public, the Commission’s website has become the single-most important source of instantly accessible information about the *Act* and Commission regulations. While the Commission continues to make available printed copies of brochures and publications, documents related to all aspects of the FEC’s work are available at www.fec.gov. These range from documents such as informational brochures on specific topics and the FEC’s monthly newsletter, *The Record*, to copies of the *Act*, the Commission’s regulations, advisory opinions, and litigation documents. Documents related to enforcement matters, including audit reports, are also available. The website also includes a query function for accessing documents related to closed enforcement actions.

The Commission strongly believes in all aspects of transparency, including making its internal process more accessible to the public. Through its continued efforts to improve the accessibility of data, in March 2007, a new tool to search for advisory opinions was implemented on the FEC website. The new search engine allows for full-text searches of all Commission advisory opinions issued since 1990. When a specific opinion is selected, links to all related materials (e.g., the original request, Commission draft opinions and third-party comments) are also provided, making the system a quick and comprehensive research tool.

The Commission also recently expanded its information outreach on the Internet to include (1) online presentations; (2) hypertext versions of the *Explanations & Justifications* for all FEC regulations; and (3) a “*Tips for Treasurers*” page that allows political committee treasurers and other interested individuals to receive automatic updates, even without having to visit the FEC’s website. The Commission also recently transitioned to an e-mail distribution program for financial disclosure forms and other publications aimed at improving customer service, while simultaneously saving tax dollars by saving on costs associated with printing and postage. This program allows the Commission to distribute time-sensitive information to the regulated community more quickly and more efficiently than ever before. Furthermore, the FEC expanded its services by providing advance notices and reminders of filing deadlines.

These investments represent a significant first step to help improve compliance with the *Act* and enable additional educational and outreach efforts. This budget request seeks to build on these accomplishments.

Enforcement

Traditional Enforcement Program

Under the traditional enforcement program, the Commission learns of possible *FECA* violations primarily through:

- The complaint process, whereby anyone may file a sworn complaint alleging violations of the *Act*;
- The review of a committee’s reports or through audit;
- Voluntary self-reporting by candidates, political committees, and corporations who believe that they may have violated the *Act*; and
- The referral process, whereby other government agencies may refer possible violations of the *Act* to the FEC.

The FEC has exclusive jurisdiction over civil enforcement of violations of the *Act* and coordinates with the Department of Justice on criminal enforcement of the *Act*. Whether initiated by outside complaint or internal referral, the most complex and legally significant enforcement matters, or matters under review (MURs), are handled by the Enforcement Division of the Office of General Counsel (OGC).

The Enforcement Division:

- Recommends to the Commission whether it should find “reason to believe” that the *Act* has been violated, a finding that formally initiates an investigation;
- Investigates possible violations of the *Act* by requesting, subpoenaing, and reviewing documents and interviewing and deposing witnesses;
- Conducts settlement negotiations seeking to culminate in conciliation agreements with respondents;

- Recommends to the Commission whether it should find “probable cause” to believe the *Act* has been violated; and
- Recommends to the Commission whether suit should be brought against a respondent in Federal district court if conciliation cannot be reached through settlement negotiations.

If a conciliation agreement cannot be reached and the Commission votes to initiate civil litigation, it will file and prosecute a civil action in Federal district court to address the alleged violation of the *Act*. Depending on the size and complexity of the lawsuit, such cases may be resolved promptly or may require a significant amount of resources for several years.

In fiscal year 2007, the FEC closed 497 matters, the largest number since 2003, while the average time required to complete a case declined by nearly one third from earlier years. Over 85 percent of the agency’s enforcement cases handled by OGC are now closed within 15 months, the fastest and most efficient processing of complaints in the Commission’s history.

Although swift resolution of enforcement matters is one of the Commission’s highest priorities, efficiency cannot come at the expense of fairness to those regulated. The Commission remains focused on providing candidates and political committees with a fair opportunity to make appropriate presentations to the Commission in enforcement matters. As a result, the Commission recently adopted a program allowing oral hearings in enforcement cases.

The continued growth in the number and amounts of campaign contributions and disbursements, along with the increased volume in the number and length of reports filed with the Commission, has created an increased workload on enforcement programs. This is especially true in election cycles, such as 2008, where the Commission expects to receive a high volume of complaints associated with the presidential election. These demands are further compounded by the number of increasingly complex schemes aimed at evading the law. Although the Commission attempts to maximize the effectiveness of its compliance and enforcement programs through increased use of technology and putting into place management initiatives to better focus available resources, it is vitally important that the agency attract and retain additional staff with the expertise to detect and investigate such schemes.

Other FEC Enforcement Programs

Administrative Fine Program (AFP)

Based on the Commission’s legislative recommendation and subsequent Congressional mandate, the FEC implemented an Administrative Fine Program (AFP) in July 2000. Through this program, the Commission addresses the timely filing of financial disclosure reports in a more streamlined fashion than permitted by the traditional enforcement process. Since its inception, the AFP has closed over 1,300 cases and assessed civil penalties totaling more than \$2.5 million for late-filed and non-filed reports. In FY 2007,

the AFP assessed fines of approximately \$310,000 and closed 266 cases as compared to approximately \$200,000 and 89 cases in FY 2006.

In 2007, the Commission revised four aspects of its AFP regulations. One change completely replaces the “extraordinary circumstances” defense with a two-part “best efforts” defense. Another includes the addition of examples of circumstances that will meet the new “best efforts” test. These revised regulations became effective April 30, 2007, however the Commission has not yet had an opportunity to handle a sufficient number of cases under the new regulations to assess the long-term impact on staff workload and appeal review turnaround time.

Congressional approval for the program was initially provided through 2001. Since that time, it has been extended three times with the current extension through December 31, 2008. With the end of this extension approaching, the Commission recommends that Congress provides another extension to this program or makes permanent the authority for the Administrative Fine Program. By making the program permanent, Congress would ensure that the Commission would retain one of the most cost-effective and successful programs in its history.

Alternative Dispute Resolution (ADR) Program

The Commission implemented an Alternative Dispute Resolution (ADR) program in October 2001. This program is designed to promote compliance with the *Act* by encouraging settlements outside the traditional enforcement or litigation processes. The ADR program aims to expedite resolution of certain less complex enforcement matters and to reduce the cost of processing complaints through streamlined procedures. This program also promotes future compliance through settlements reflecting primarily remedial measures for respondents, such as training, audits and the hiring of compliance staff.

Since the inception of the ADR program, the Commission has concluded settlements with respondents in 232 cases and closed 322 cases, negotiating approximately \$400,000 in civil penalties. In FY 2007, the Commission negotiated nearly \$60,000 in civil penalties. Generally, all ADR cases have been closed within three months of referral to the ADR program, thus expediting this portion of the Commission’s enforcement caseload.

Both the AFP and the ADR programs allow the Commission to expand the reach of the enforcement process and to streamline case resolution for less complex matters. These programs focus current resources to ensure enforcement of the *Act* is performed as efficiently and effectively as possible.

Audit Program

The Commission also enforces the *Act* through audits of candidates and political committees. In FY 2009, the Commission expects to conduct 40 to 50 “for cause” audits, under Title 2, in those cases where political committees have failed to meet the threshold requirements for substantial compliance with the *Act* and have failed voluntarily to correct errors or omissions in their disclosure reports. In addition, the Commission

expects to conduct six to eight mandatory audits, under Title 26, for those presidential candidates who opt to receive presidential matching funds in the 2008 election. The Commission's audit presence not only contributes to the Commission's enforcement efforts but also encourages voluntary compliance within the regulated community.

Objective C: Development of the Law

Interpreting the *FECA*

The Commission provides formal interpretation of the *Act* through promulgation of regulations and the issuance of advisory opinions (AOs).

Regulations

Congressional action, judicial decisions, petitions for rulemaking or other changes in campaign finance law often necessitate that the Commission update or adopt new regulations. Consequently, the FEC undertakes rulemakings to either write new Commission regulations or revise existing regulations.

The Policy Division of OGC drafts Notices of Proposed Rulemaking (NPRMs) which, once adopted by the Commission, are published in the *Federal Register*. NPRMs are also made available on the FEC's website and on the U.S. Government website, www.regulations.gov. NPRMs provide an opportunity for members of the public and the regulated community to review proposed regulations, submit written comments to the Commission and testify at public hearings, which are conducted at the FEC when appropriate. The Commission considers the public comments and testimony and deliberates publicly regarding the adoption of the final regulations. The text of final regulations and the corresponding *Explanations and Justifications*, once adopted by the Commission, are published in the *Federal Register*.

The Commission has completed revisions to its regulations to comport with recent court decisions in the *Shays v. FEC* litigation, in which the court remanded certain regulations to the agency for further action. The Commission also just completed revisions to its regulations as required by the recent Supreme Court decision limiting the scope of the *Act* with respect to electioneering communications in *FEC v. Wisconsin Right to Life*. Currently, the Commission is devoting substantial resources to two separate rulemakings implementing the *Honest Leadership and Open Government Act* ("HLOGA").

Advisory Opinions

The Commission responds to questions from the regulated community about how the *Act* applies to specific situations by issuing AOs. When the Commission receives a request for an AO, it generally has 60 days to respond. For AO requests from candidates in the two months leading up to an election, the response time for the Commission is reduced to 20 days. Nevertheless, the Commission recently instituted an expedited process for handling certain time-sensitive requests in even shorter timeframes. Thus, the Commission is placing special emphasis on expediting the processing and consideration

of highly significant AO requests. Although the *Act* allows the agency 60 days to respond to most requests, the Commission issued some of its recent opinions within as little as two weeks.

Although the number of AO requests that the Commission receives is subject to cycles dependent on whether or not it is a presidential election year, the Commission has received a steady increase in the number of requests in comparison to analogous prior years. Additionally, the complexity of the topics addressed in these AOs has increased because of *BCRA*, which required a number of new Commission regulations, and recent litigation. Despite this increased workload, the time that the Commission has issued these advisory opinions has decreased markedly due, in part, to the expedited AO program. As more requestors seek expedited advisory opinions on close questions of law under *BCRA*, the Commission anticipates these trends to continue well beyond the 2008 presidential election. In addition, the Commission anticipates additional advisory opinion requests as a result of the *Wisconsin Right to Life* decision and *HLOGA*.

Administering the FECA

Defending Challenges to the Act

The Commission is the exclusive representative of the FEC before the Federal district and circuit courts, and the Supreme Court with respect to cases involving publicly financed presidential candidates. It also has primary responsibility for defending the *Act* and Commission regulations against court challenges. In the case recently decided by the Supreme Court, *FEC v. Wisconsin Right to Life*, the Commission defended against an "as applied" challenge to the electioneering communication provision of *BCRA*. In the aftermath of that decision, the Commission is likely to defend similar challenges based on the new standard the Court established. There may also be additional court challenges to the regulatory standard the Commission adopted to implement *Wisconsin Right to Life*.

In other ongoing litigation, the Commission continues to defend its regulations implementing *BCRA*. After initial litigation challenging more than a dozen regulations led to a decision by the D.C. Circuit and subsequent rulemaking, the case (known as *Shays III*) is again on appeal before the D.C. Circuit. The Commission has recently prevailed in a challenge to its "political committee status" rulemaking, and no appeal was sought. More recently, a challenge was brought by Citizens United to the Act's disclosure provisions as applied to certain electioneering communications. A three-judge district court denied a request for a preliminary injunction, and the plaintiff is appealing that decision to the Supreme Court.

Public Funding

In addition to administering the *FECA*, the Commission is responsible for administering the public funding of presidential elections, as outlined in Title 26. Public funding of presidential elections has been an important part of the Nation's presidential election system since 1976. The program is funded by the \$3 income tax check off and administered by the FEC. Through the public funding program, the Federal government provides (1) matching funds to candidates seeking their party's presidential nomination,

(2) financing for presidential nominating conventions, and (3) grants to presidential nominees for the general election campaigns.

Under the presidential public funding program, the Commission certifies a candidate's eligibility to participate in the program, establishes eligibility for payments, and conducts a thorough examination and audit of the qualified campaign expenses of every candidate who receives payments under the program. For the 2004 presidential elections, the Commission certified the eligibility of ten candidates, with certified payments totaling \$28,433,886 in the primary elections. The Commission also certified, and the Treasury disbursed, a total of \$29,904,000 for the convention committees. Finally, a total of \$149,240,000 in grants to presidential nominees for the general election campaigns was certified.

Thus far for the 2008 election, the Commission has certified the eligibility of seven candidates and has certified them as being eligible for a total of \$19,287,505 in payments. The Commission has also certified, and the Treasury has disbursed, a total of \$32,712,000 in payments from the Presidential Election Campaign Fund for the fall 2008 conventions of the two major political parties.

Impact of Request for Increase

The requested increase of \$4,394,000 will enable the Commission to keep pace with the ever-increasing demands being placed on it by (1) changes in the campaign finance laws and regulations, (2) improvements in technology, (3) mandated reporting requirements; and (4) the need to maintain a clean audit opinion and sound internal controls. This increase will also provide for current services, adjusted for inflation. Today's changing technological advances and growth in campaign financing activity necessitate that the Commission employ additional staff with specialized skills and abilities to investigate complex issues and apply sophisticated legal expertise to interpret and defend the law. Misappropriation of campaign funds continues to be a special concern, and corruption allegations are among the most complex, sensitive and serious matters brought before the Commission. Such allegations must be investigated quickly, fairly, and accurately.

Request for Additional Staffing

The FEC's employees are its most valuable resource and sound workforce planning and management are critical to its operations. The President's Management Agenda requires agencies to assess their organizational structures and develop organizational plans to streamline operations and business processes. Even though the Commission has implemented a number of management and organizational initiatives over the past several years to increase the efficiency of processing enforcement matters, additional resources are needed to address the continued growth and complexity of finance campaign activity. This means building a human capital infrastructure that can fulfill its mission. Without these additional resources, the Commission's ability to maintain its current level of responsiveness would be jeopardized. Provided below is a more specific description of the Commission's request for \$1,151,795 in additional funding for an increase of 12 FTEs.

The Office of General Counsel (OGC). The Commission requests a budget increase to support five additional FTE for OGC. The post-*BCRA* trend of more complex factual scenarios and legal issues continues to be presented in complaints, advisory opinion requests and litigation. Examples of these include complaints alleging embezzlement, complex conduit schemes, and attempts to evade the Commission's heightened enforcement of activity by unregistered political committees.

Also, in FY 2009, the Commission projects that OGC will face a significant increase in workload demands because of the large volume and increased complexity of matters arising from the 2008 election cycle. Typically, presidential election years present peak workload demands for OGC. With an open presidential race and record-setting early fundraising by the candidates, the Commission expects an even greater volume of complaints and overall activity for the 2008 cycle.

During presidential election years, the Commission typically receives the highest number of complaints over the four-year election cycle. In each of the past two presidential election years, OGC processed over 400 complaints each cycle. In contrast, OGC receives approximately 180 complaints during non-presidential election cycles. The expected record-level of complaints stemming from the 2008 presidential elections will add a considerable strain on OGC's ability to prepare cases for activation and handling by attorneys. For example, in FY 2002, it took 197 days on average to activate a case. By the midpoint of FY 2007, that time was reduced by more than half to 89 days. If historical averages hold, the Commission projects that it will see over 180 complaints filed from July 2008 through December 2008. Additional FTE are required to continue the Commission's progress in streamlining the activation process and to maintain the overall efficiency of the Commission's enforcement docket.

Once cases are reviewed and activated, they are assigned to attorneys for handling, including making recommendations to the Commission about how to proceed at various stages of the enforcement process. Over the past several years, significant strides have been made in reducing the time it takes to prepare recommendations at the various enforcement stages and to complete enforcement matters. In FY 2002, it took, on average, 730 days to close an enforcement matter. By fiscal year 2006, the Commission reduced this number by 230 days to an average of 500 days. With additional FTE resources, OGC would be able to activate cases even more quickly and increase the total number of cases that are active at any one time. The Commission will also be able to close cases even more quickly so that the regulated community has the benefit of Commission decisions as soon as possible during an election cycle.

The increased activity in the 2008 election cycle also will have an impact on the potential number of litigation matters. Over past cycles, there has been a sharp increase in the number of litigation cases handled by OGC. For example, by the middle of FY 2005, the litigation workload increased by approximately 20 percent compared with the number of cases being handled the previous year. OGC anticipates similar increases for the 2008 cycle. While it is too early to know what the exact impact of the recent *Wisconsin Right to Life* decision will be on the litigation workload over the next several years, the Commission expects at least a modest increase in the number and complexity of challenges that will arise. Similarly, the Commission expects that rulemaking

proceedings, necessitated both by anticipated changes in the *Act* and by final judicial decisions in challenges to the *Act* and to Commission regulations, will have a significant impact on OGC's workload.

The Commission also anticipates an increase in the number of advisory opinion requests in the run-up to the presidential election, particularly requests for expedited advisory opinions. For example, in 2002, a non-presidential election year, the Commission received a total of 15 advisory opinion requests. In 2006, another non-presidential election year, the number of advisory opinion requests increased to 38. However, in 2004, a presidential election year, the Commission received a total of 45 advisory opinion requests. Accordingly, for the 2008 presidential election year, the Commission projects that it will receive an even greater volume than in 2004. Also, the complexity of the topics addressed in these AOs has increased because of *BCRA*, such as the Millionaires' Amendment which increases the permissible contribution limits for the opponents of self-funded candidates. As more requestors seek expedited advisory opinions on close questions of law under *BCRA* and as the Commission begins to receive AO requests on questions of law under *HLOGA*, the Commission anticipates these trends to continue well beyond the 2008 presidential election. In addition, the Commission anticipates additional advisory opinion requests as a result of the Supreme Court's recent *Wisconsin Right to Life* decision.

Since early 2006, new statutes and Executive Orders have added to the Commission's responsibilities in administering the *Freedom of Information Act* (FOIA) and *Privacy Act*, resulting in an increase in workload for the FEC without an accompanying increase in FTE.

Specifically, Executive Order 13392 required the Commission to:

- Appoint a Chief FOIA Officer, a role served by a senior-level OGC manager;
- Establish a FOIA Service Center for the intake and initial processing of FOIA requests;
- Appoint a "FOIA Public Liaison," who is an official "to whom a FOIA requester can raise concerns about the services a FOIA requester has received from the Center;" and
- Develop a plan to ensure that agency administration of FOIA complied with the law, and report the plan to OMB and the Attorney General.

During FY 2007, increasing demands were placed on OGC as a result of newly promulgated government-wide requirements related to the *Privacy Act* and the *Freedom of Information Act*.

Consistent with these requirements, OGC is responsible for processing and coordinating responses to all FOIA requests, not merely those that present legal issues under the FOIA. Moreover, demand for Commission services under FOIA is increasing, as a total of 85 requests were received by the agency in FY 2007 compared to 49 FOIA requests received in FY 2006.

Similarly, in the privacy area, new legislation and directives from OMB have created new responsibilities for OGC. Specifically, Section 522 of the *2005 Consolidated Appropriations Act*, OMB Memorandum M-05-08, *Designation of Senior Agency Officials for Privacy*, and other authorities impose more than a dozen new responsibilities and reporting requirements on the Commission. The Commission has determined that these duties will be overseen by co-Chief Privacy Officers, one of whom is a senior-level OGC manager.

The Office of the General Counsel has seen a large increase in demand for its full range of services without any corresponding increase in FTE. In part as a response to these increased demands, and in part as an effort to improve the overall operations, OGC has instituted management and process improvements that have resulted in handling matters as quickly and efficiently as possible with the current level of staffing. While there still remains room for additional improvements that may produce further benefits, the Commission believes it has done most, if not all, that it can to increase OGC's operational efficiency without additional staffing.

The Alternative Dispute Resolution (ADR) Office. The Alternative Dispute Resolution Office seeks one additional FTE to address the anticipated growth in complaints that will be handled within this program, thereby freeing up other Commission resources for other, more complex enforcement matters. In the last several years, the ADR program has handled 60 to 100 cases per year, with each staff member handling 30 to 45 cases. The additional FTE will allow the ADR program to handle between 120 and 160 cases per year and to focus on ways to further expedite case processing.

The Office of the Inspector General (OIG). The Commission requests a budget increase to support two additional FTEs in the Office of the Inspector General. One FTE would be an investigator and the other would be an auditor. The OIG has faced a considerable increase in workload in the past several years without an increase in staff. For example, since FY 2004, the OIG has been responsible for the oversight of the FEC's annual financial statement audit, as required by the *Accountability of Tax Dollars Act of 2002*, a new legislative requirement for the FEC. In addition, the OIG has experienced a significant increase in internal hotline complaints, some of which have resulted in criminal and administrative investigations. The increase in reporting requirements (e.g., FOIA, Privacy Act) places an additional burden on the OIG to conduct internal audits (1) to ensure compliance with applicable policies and procedures, and (2) to prevent and to detect fraud, waste and abuse in FEC operations.

The Office of Equal Employment Opportunity (EEO) and Programs. The Commission requests two additional FTEs bringing the Commission's EEO staff to three. Staffing the EEO office at three FTE will further build upon the Commission's support of and commitment to equal opportunity and diversity by ensuring a strong and effective program. These resources will enable the Commission to conduct educational programs and other proactive measures to help prevent unlawful discrimination, to expeditiously address all cases that arise, and to meet all regulatory and statutory reporting requirements to the Office of Personnel Management and the Equal Employment Opportunity Commission (EEOC). In pursuit of these commitments, the Commission is also striving to attain the status of a model EEO program, as prescribed by EEOC

guidelines under CFR 1614, in implementing Title VII, *Age Discrimination in Employment Act*, the *Rehabilitation Act* programs, and relevant Executive Orders and policy guidance.

The Office of Communications (OC). The Commission requests a budget increase for one additional FTE in the Office of Communications. The additional FTE would enable the OC to expand its online educational initiatives, thereby reaching the segment of the regulated community that is unable to attend FEC regional conferences. For example, the Commission recently purchased software to develop new, interactive online training exercises for the regulated community. The software would allow the OC to create web-based training for the regulated community that is easy to navigate, available on demand and always up-to-date with new Commission regulations and initiatives. This new training initiative represents a fundamental change in the Commission's outreach efforts, and will provide the regulated community with 24-hour access to campaign finance training. However, at current staffing levels, development of these new exercises is often delayed by the staff's need to focus on maintaining existing services. An additional FTE would enable the Commission to move forward with this and other initiatives at an accelerated pace, providing better service to the public and the regulated community.

The Office of the Chief Financial Officer (OCFO). The Commission requests a budget increase to support one additional FTE in the Office of the Chief Financial Officer to strengthen financial management. The Commissioners recently restructured the role of the CFO to significantly enhance the CFO's responsibilities and to report directly to the Commission. The change was made to afford the Commission a higher level of oversight of financial management throughout the agency. The complexity and additional reporting requirements, such as the annual financial statement audit, have increased the visibility of the Commission's financial operations. Accordingly, the Commission believes having the CFO directly report to the Commissioners strengthens the internal controls surrounding financial management.

This additional FTE would enhance the Commission's ability to properly address the underlying internal control weaknesses that resulted in a qualified audit opinion on the Commission's FY 2006 financial statements. Furthermore, resources would be allocated to maintain and update financial management policies and procedures, and provide training to FEC staff on these policies and procedures, such as travel, procurement, budget, and accounting matters.

The increase would ensure that the CFO will be able to perform a higher-level review and analysis, thereby improving overall internal controls. The additional FTE also would facilitate succession planning to adequately prepare for the upcoming retirement of finance personnel; thereby reducing the risk of financial and payroll transactions not being processed timely or accurately. Finally, additional staffing also enables the CFO to communicate more effectively with the Commission and agency management.

Request for Additional Technological Initiatives

The Commission requests a budget increase of \$1,417,205 to maintain a secure, flexible, and modern information technology system that fully supports the collection, analysis, and dissemination of campaign finance information. The Commission is in the early stages of developing a complete, integrated enterprise architecture consisting of infrastructure and applications that serve the Commission's business needs. To further build and implement this architecture, additional funds are needed to increase support for applications and systems development projects. These resources will be used to manage enhancements, modifications, and deployments of FEC systems. These include, but are not limited to:

- eReview (electronic review of campaign finance filings);
- Electronic document management;
- Enhancing detection and analysis capabilities of compliance data (e.g., data mining); and
- Enabling the public to search, view, download, and comment on Federal agency rulemaking documents in one central online system.

Consistent with the President's Management Agenda, the Commission has begun to define requirements for an integrated financial management system. An integrated system will provide management and technical capabilities for an agency-wide implementation of standard systems and processes necessary to support financial management and human resource (HR) activities. Currently, the Commission does not have an integrated financial management system, which was noted as an internal control weakness in the financial statement audit. To address this weakness, the Commission intends to outsource its financial and HR operations to an approved line of business (LOB) provider. This will allow the FEC to provide timely, consistent, and reliable information for leadership and management decisions, as well as to be compliant with OMB requirements. Furthermore, the LOB is expected to provide an accounting structure to enable the FEC to achieve a "clean" audit opinion on its financial statements, and to resolve several of the internal control weaknesses identified in the Commission's past financial statement audits. Maintaining an effective financial management system includes:

- Ensuring adequate internal controls;
- Conducting risk assessments;
- Implementing a back-up disaster recovery and continuing operations plan; and
- Upgrading of security and systems to keep up with changes in technology, as well as changing regulations and reporting requirements.

The Commission understands the importance of strong internal controls. Without additional funding, the Commission will be unable to adequately address its internal control weaknesses to fully resolve these issues.

The FEC also continues to upgrade and enhance its website, electronic filing and review systems, and other electronic systems, and to adapt to changes in the law or to

technological advances. In order to address the more complex requirements of the campaign finance process and allow for transparency, the FEC needs to build additional tools and a supporting infrastructure to tap into the data that is being collected from the regulated community. The four cornerstones serving as the foundation for better tools and access to data include:

- Integrated enterprise application architecture;
- Enterprise content management;
- Enterprise search/data mining capabilities; and
- Robust and secure enterprise infrastructure.

Several of these improvements will serve to effectively respond to the internal control weaknesses noted in the past several audits of the Commission's operations. These functions will also facilitate the FEC's mission to provide the public with a transparent campaign finance system by providing useful and accessible website enhancements.

Combined with the responsibility to provide transparency in the campaign finance process and the public's Internet-driven expectation of instant access to the very latest information, these growing demands are projected to soon push the Commission's technology beyond its current capabilities. Therefore, additional resources are essential for the Commission to successfully achieve its mission and serve the public and regulated community.

Table 3: Budget Request by Object Class				
Personnel		FY 2007 Estimate	FY 2008 Estimate	FY 2009 Request
1110	Full Time Permanent	\$28,909,914	\$31,909,311	\$33,579,996
1130	Other than Permanent	550,000	775,000	850,000
1150	Premium Pay, Overtime	65,000	85,000	90,000
1152	Cash Awards	427,659	550,000	600,000
1181	Witnesses	5,000	8,500	8,500
1210	Personnel Benefits	8,297,145	9,171,036	10,017,148
	Subtotal, Personnel	\$38,254,718	\$42,498,848	\$45,145,645
2101	Travel	389,689	397,483	415,000
2201	Transportation of Things	20,077	21,000	22,000
2311	Rent	3,513,877	4,726,125	4,773,094
2331	Equipment Rental	181,000	185,000	188,500
2332	Telephones	199,591	200,000	202,000
2335	Postage, Printing and Microfilm	459,540	462,000	467,500
2511	Training and Tuition	293,503	299,374	305,361
2512	Administrative Expenses	114,018	116,298	119,500
2513	Depositions and Transcripts	34,308	34,000	34,000
2514	IT Contracts	4,984,717	4,265,260	5,713,130
2521	Other Contracts	1,400,144	1,400,000	1,475,000
2523	Repair & Maintenance	168,398	165,000	175,000
2531	Federal Agency Services	957,940	960,000	967,000
2541	Facilities Maintenance	285,000	290,000	295,000
2572	Software and Hardware	1,345,296	1,283,157	1,375,000
2601	Supplies	190,856	170,000	170,000
2602	Publications	544,132	560,456	577,270
3101	Equipment Purchases	174,815	175,000	178,000
3102	Capitalized IT Equipment	848,897	850,000	855,000
3103	Non-Capitalized IT Equipment	167,000	165,000	165,000
	Subtotal, Non Personnel	\$16,272,798	\$16,725,152	\$18,472,355
	TOTAL	\$54,527,516	\$59,224,000	\$63,618,000